



# House of Representatives

General Assembly

**File No. 762**

*January Session, 2017*

Substitute House Bill No. 7312

*House of Representatives, May 15, 2017*

The Committee on Finance, Revenue and Bonding reported through REP. ROJAS of the 9th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

***AN ACT CONCERNING THE DEPARTMENT OF REVENUE SERVICES' RECOMMENDATIONS FOR STATE TAXATION AND COLLECTION AND IMPROVING TAX GAP COMPLIANCE.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 12-39h of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective July 1, 2018*):

3 [Any] Notwithstanding any instructions by the payor to the  
4 contrary, [notwithstanding,] any partial payment against any tax  
5 outstanding shall be applied by the Commissioner of Revenue Services  
6 first to any penalties unless a waiver of penalty has been requested and  
7 approved in accordance with the general statutes, and any amount in  
8 excess of such penalty shall be applied first to [interest on] such tax  
9 and then to the interest on such tax.

10 Sec. 2. Subparagraph (A) of subdivision (20) of subsection (a) of  
11 section 12-701 of the general statutes is repealed and the following is

12 substituted in lieu thereof (*Effective July 1, 2017, and applicable to taxable*  
13 *years commencing on or after January 1, 2017*):

14 (A) There shall be added thereto (i) to the extent not properly  
15 includable in gross income for federal income tax purposes, any  
16 interest income from obligations issued by or on behalf of any state,  
17 political subdivision thereof, or public instrumentality, state or local  
18 authority, district or similar public entity, exclusive of such income  
19 from obligations issued by or on behalf of the state of Connecticut, any  
20 political subdivision thereof, or public instrumentality, state or local  
21 authority, district or similar public entity created under the laws of the  
22 state of Connecticut and exclusive of any such income with respect to  
23 which taxation by any state is prohibited by federal law, (ii) any  
24 exempt-interest dividends, as defined in Section 852(b)(5) of the  
25 Internal Revenue Code, exclusive of such exempt-interest dividends  
26 derived from obligations issued by or on behalf of the state of  
27 Connecticut, any political subdivision thereof, or public  
28 instrumentality, state or local authority, district or similar public entity  
29 created under the laws of the state of Connecticut and exclusive of  
30 such exempt-interest dividends derived from obligations, the income  
31 with respect to which taxation by any state is prohibited by federal  
32 law, (iii) any interest or dividend income on obligations or securities of  
33 any authority, commission or instrumentality of the United States  
34 which federal law exempts from federal income tax but does not  
35 exempt from state income taxes, (iv) to the extent included in gross  
36 income for federal income tax purposes for the taxable year, the total  
37 taxable amount of a lump sum distribution for the taxable year  
38 deductible from such gross income in calculating federal adjusted  
39 gross income, (v) to the extent properly includable in determining the  
40 net gain or loss from the sale or other disposition of capital assets for  
41 federal income tax purposes, any loss from the sale or exchange of  
42 obligations issued by or on behalf of the state of Connecticut, any  
43 political subdivision thereof, or public instrumentality, state or local  
44 authority, district or similar public entity created under the laws of the  
45 state of Connecticut, in the income year such loss was recognized, (vi)  
46 to the extent deductible in determining federal adjusted gross income,

47 any income taxes imposed by this state, (vii) to the extent deductible in  
48 determining federal adjusted gross income, any interest on  
49 indebtedness incurred or continued to purchase or carry obligations or  
50 securities the interest on which is exempt from tax under this chapter,  
51 (viii) expenses paid or incurred during the taxable year for the  
52 production or collection of income which is exempt from taxation  
53 under this chapter or the management, conservation or maintenance of  
54 property held for the production of such income, and the amortizable  
55 bond premium for the taxable year on any bond the interest on which  
56 is exempt from tax under this chapter to the extent that such expenses  
57 and premiums are deductible in determining federal adjusted gross  
58 income, (ix) for property placed in service after September 10, 2001, but  
59 prior to September 11, 2004, in taxable years ending after September  
60 10, 2001, any additional allowance for depreciation under subsection  
61 (k) of Section 168 of the Internal Revenue Code, as provided by Section  
62 101 of the Job Creation and Worker Assistance Act of 2002, to the  
63 extent deductible in determining federal adjusted gross income, (x) to  
64 the extent deductible in determining federal adjusted gross income, the  
65 deduction allowable as qualified domestic production activities  
66 income, pursuant to Section 199 of the Internal Revenue Code, (xi) to  
67 the extent not properly includable in gross income for federal income  
68 tax purposes for the taxable year, any income from the discharge of  
69 indebtedness, in taxable years ending after December 31, 2008, in  
70 connection with any reacquisition, after December 31, 2008, and before  
71 January 1, 2011, of an applicable debt instrument or instruments, as  
72 those terms are defined in Section 108 of the Internal Revenue Code, as  
73 amended by Section 1231 of the American Recovery and Reinvestment  
74 Act of 2009, the inclusion of which income in federal gross income for  
75 the taxable year is deferred, as provided by said Section 1231, [and]  
76 (xii) to the extent not properly includable in gross income for federal  
77 income tax purposes, an amount equal to (I) any distribution from a  
78 manufacturing reinvestment account not used in accordance with  
79 subdivision (3) of subsection (c) of section 32-9zz to the extent that a  
80 contribution to such account was subtracted from federal adjusted  
81 gross income pursuant to clause (xix) of subparagraph (B) of this

82 subdivision in computing Connecticut adjusted gross income for the  
83 current or a preceding taxable year, and (II) any return of money from  
84 a manufacturing reinvestment account pursuant to subsection (d) of  
85 section 32-9zz to the extent that a contribution to such account was  
86 subtracted from federal adjusted gross income pursuant to clause (xix)  
87 of subparagraph (B) of this subdivision in computing Connecticut  
88 adjusted gross income for the current or a preceding taxable year, and  
89 (xiii) to the extent not properly includable in gross income for federal  
90 income tax purposes, an amount equal to any compensation required  
91 to be recognized under Section 457A of the Internal Revenue Code that  
92 is attributable to services performed within this state.

93 Sec. 3. Subsection (c) of section 12-409 of the general statutes is  
94 repealed and the following is substituted in lieu thereof (*Effective*  
95 *October 1, 2017*):

96 (c) At the time of making an initial application for a permit, the  
97 applicant shall pay to the Commissioner of Revenue Services a permit  
98 fee of one hundred dollars for each permit. [Any permit issued on or  
99 after July 1, 1985, but prior to October 1, 2003, shall expire biennially  
100 on the anniversary date of the issuance of such permit unless renewed  
101 in accordance with such procedure and application form as prescribed  
102 by the commissioner.] Any permit issued on or after October 1, 2003,  
103 but prior to October 1, 2017, shall expire on the fifth anniversary date  
104 of the issuance of such permit unless renewed in accordance with such  
105 procedure and application form as prescribed by the commissioner.  
106 Any permit issued on or after October 1, 2017, shall expire biennially  
107 on the anniversary date of the issuance of such permit unless renewed  
108 in accordance with such procedure and application form as prescribed  
109 by the commissioner.

110 Sec. 4. Section 12-414 of the general statutes is repealed and the  
111 following is substituted in lieu thereof (*Effective January 1, 2018*):

112 (a) The taxes imposed [by] under this chapter are due and payable  
113 to the commissioner monthly on or before the last day of the month  
114 next succeeding each monthly period, except that (1) every person

115 whose total tax liability for the twelve-month period ending on the  
116 preceding June thirtieth was less than one thousand dollars shall remit  
117 tax on an annual basis, (2) every person whose total tax liability for the  
118 twelve-month period ending on the preceding June thirtieth was one  
119 thousand dollars or more but less than four thousand dollars shall  
120 remit tax on a quarterly basis, and [(2)] (3) every person described in  
121 subdivision (2) of subsection (e) of this section shall remit tax as  
122 prescribed by the commissioner under said subdivision (2).  
123 ["Quarterly"] For purposes of this section, "quarterly" means a period  
124 of three calendar months commencing on the first day of January,  
125 April, July or October of each year or, if any seller commences business  
126 on a date other than the first day of January, April, July or October, a  
127 period beginning on the date of commencement of business and  
128 ending on March thirty-first, June thirtieth, September thirtieth or  
129 December thirty-first, respectively.

130 (b) (1) On or before the last day of the month following each  
131 monthly or quarterly period, as the case may be, or on the date or  
132 dates prescribed by the commissioner under subsection (e) of this  
133 section, a return for the preceding period shall be filed with the  
134 commissioner in such form as the commissioner may prescribe. An  
135 annual return shall be filed on or before January thirty-first and shall  
136 report sales for the previous calendar year.

137 (2) For purposes of the sales tax, a return shall be filed by every  
138 seller. For purposes of the use tax, a return shall be filed by every  
139 retailer engaged in business in the state and by every person  
140 purchasing services or tangible personal property, the storage,  
141 acceptance, consumption or other use of which is subject to the use tax,  
142 who has not paid the use tax due a retailer required to collect the tax,  
143 except that every person making such purchases for personal use or  
144 consumption in this state, and not for use or consumption in carrying  
145 on a trade, occupation, business or profession, need file only one use  
146 tax return covering purchases during a calendar year. Such return shall  
147 be filed and the tax due thereon paid on or before the fifteenth day of  
148 the fourth month succeeding the end of the calendar year for which

149 such return is filed. Returns shall be signed by the person required to  
150 file the return or by his or her authorized agent but need not be  
151 verified by oath, provided a return required to be filed by a  
152 corporation shall be signed by an officer of such corporation.

153 (c) For purposes of the sales tax, the return shall show the gross  
154 receipts of the seller during the preceding reporting period. For  
155 purposes of the use tax, (1) in case of a return filed by a retailer, the  
156 return shall show the total sales price of the services or property sold  
157 by the retailer, the storage, acceptance, consumption or other use of  
158 which became subject to the use tax during the preceding reporting  
159 period, and (2) in case of a return filed by a purchaser, the return  
160 shall show the total sales price of the service or property purchased by  
161 the purchaser, the storage, acceptance, consumption or other use of  
162 which became subject to the use tax during the preceding reporting  
163 period. The return shall also show the amount of the taxes for the  
164 period covered by the return in such manner as the commissioner may  
165 require and such other information as the commissioner deems  
166 necessary for the proper administration of this chapter. The  
167 Commissioner of Revenue Services is authorized in his or her  
168 discretion, for purposes of expediency, to permit returns to be filed in  
169 an alternative form wherein the person filing the return may elect to  
170 report his or her gross receipts, including the tax reimbursement to be  
171 collected as provided for in this section, as a part of such gross receipts  
172 or to report his or her gross receipts exclusive of the tax collected in  
173 such cases where the gross receipts from sales have been segregated  
174 from tax collections. In the case of the former, the percentage of such  
175 tax-included gross receipts that may be considered to be the gross  
176 receipts from sales exclusive of the taxes collected thereon shall be  
177 computed by dividing the numeral one by the sum of the rate of tax  
178 provided in section 12-408, expressed as a decimal, and the numeral  
179 one.

180 (d) Returns, together with the amount of the tax due thereon, shall  
181 be filed with the Commissioner of Revenue Services.

182 (e) (1) The commissioner, if he or she deems it necessary in order to  
183 [insure] ensure payment to or facilitate the collection by the state of the  
184 amount of taxes, may permit or require returns and payment of the  
185 amount of taxes for other than monthly or quarterly periods.

186 (2) (A) For purposes of this subdivision, "weekly period" means the  
187 seven-day period beginning on a Saturday and ending the following  
188 Friday. The commissioner may require any person who is delinquent,  
189 as described in section 12-7a, to remit the tax collected during a weekly  
190 period on a weekly basis. Any person who is required to remit tax for a  
191 weekly period shall remit such tax to the commissioner on or before  
192 the Wednesday next succeeding the weekly period and shall do so in  
193 the manner and method prescribed [by the commissioner] in  
194 subparagraph (B) of this subdivision.

195 (B) The requirement to remit tax on a weekly basis shall not alter a  
196 person's obligation to file monthly or quarterly returns, as the case  
197 may be, as provided in subsection (b) of this section. To the extent that  
198 the end of one month and the beginning of the following month may  
199 fall within the same weekly period, each person required by the  
200 commissioner to remit tax under [this] subparagraph (A) of this  
201 subdivision shall report all of the tax collected and remitted during  
202 such weekly period, regardless of the month, along with the  
203 corresponding gross receipts, on the return covering the monthly  
204 period that ended during such weekly period. Each person obligated  
205 to file monthly or quarterly returns shall file such returns electronically  
206 with the Department of Revenue Services and shall make each weekly  
207 remittance by electronic funds transfer, in accordance with the  
208 provisions of chapter 228g.

209 [(B)] (C) The commissioner shall send a written notice, in  
210 accordance with the provisions of section 12-2f, informing each person  
211 required to remit tax on a weekly basis pursuant to this subdivision of  
212 such requirement. [Any person so required shall remit tax on a weekly  
213 basis for a period of one year commencing from the date set forth in  
214 such notice. Such notice shall also contain information regarding the

215 manner and method of such remittal.] Such notice shall include (i) a  
216 statement that such person is required to establish a separate bank  
217 account as set forth in subparagraph (D) of this subdivision unless  
218 such person elects to remit tax through a certified service provider as  
219 set forth in subparagraph (E) of this subdivision, (ii) a form for such  
220 person to make such election, and (iii) a list of all certified service  
221 providers, which, for purposes of this section, means any service  
222 provider certified by the Streamlined Sales Tax Governing Board,  
223 Incorporated, and the contact information for each such provider. A  
224 person making such election shall return the form to the commissioner  
225 not later than two business days after receipt of the form. If a person  
226 does not make such election or fails to return the form in the time  
227 period prescribed under this subparagraph, such person shall establish  
228 a separate bank account and make deposits into such account, in  
229 accordance with the provisions of subparagraph (D) of this  
230 subdivision. The election of a certified service provider or the  
231 determination that a person is required to establish a separate bank  
232 account shall be irrevocable and shall remain in effect until the  
233 commissioner notifies such person that, based on evidence of  
234 continuous compliance, such person is no longer subject to the  
235 requirements of this subsection. The commissioner may authorize a  
236 certified service provider to retain a portion of each amount of sales  
237 tax remitted by such certified service provider on behalf of a person  
238 pursuant to this subparagraph, provided such retained portion shall  
239 not exceed the actual cost charged by the certified service provider to  
240 such person for the services provided pursuant to this subparagraph.

241 (D) (i) Each person who elects or is otherwise required to establish a  
242 bank account under subparagraph (C) of this subdivision shall, not  
243 later than thirty days after receiving the notice under said  
244 subparagraph, establish such bank account with a financial institution,  
245 as defined in section 36a-41. Such account shall be separate from any  
246 other bank account of such person and shall be established under the  
247 designation, "(name of person required to establish such account),  
248 Trustee, Special Fund in Trust for the State of Connecticut, Department  
249 of Revenue Services, Under Section 12-408 of the Connecticut General



250 Statutes". Such person shall provide to the commissioner, upon  
251 request, the name of the financial institution where such account was  
252 established, the account number of such account and any other  
253 information regarding such account that the commissioner may  
254 require.

255 (ii) Upon the establishment of such account, such person shall  
256 deposit into such account the tax collected or received by such person,  
257 not later than two business days after such collection or receipt. The  
258 taxes deposited in such account shall constitute a fund in trust for the  
259 state of Connecticut and deemed to be the property of the state,  
260 payable only to the Department of Revenue Services, and no liens shall  
261 be placed on the taxes deposited in such account. No other funds shall  
262 be deposited into such account for any reason except for maintenance  
263 of the account.

264 (iii) If, without the prior authorization of the commissioner, a  
265 person withdraws funds from such account for any purpose other than  
266 to remit tax due to the commissioner, such person shall be guilty of  
267 larceny, as defined in section 53a-119. Each unauthorized withdrawal  
268 shall constitute a separate offense.

269 (iv) The commissioner may request at any time from a financial  
270 institution an accounting of any bank account established pursuant to  
271 clause (i) of this subparagraph that is maintained by such institution.  
272 Not later than five business days after receipt of such request from the  
273 commissioner, the financial institution shall provide an accounting to  
274 the commissioner.

275 (E) If a person elects under subparagraph (C) of this subdivision to  
276 remit tax through a certified service provider, such person shall, not  
277 later than thirty days after making such election, contract with a  
278 certified service provider and begin remitting tax through such  
279 provider. Such person shall provide to the commissioner, upon  
280 request, a copy of the executed contract, a written authorization for the  
281 commissioner to contact the certified service provider regarding such  
282 person and any other information with respect to the arrangement

283 between such person and such provider that the commissioner may  
284 require. Each certified service provider remitting tax on behalf of any  
285 person required to remit tax for a weekly period shall do so in the  
286 manner and method prescribed in subparagraph (B) of this  
287 subdivision.

288 (F) (i) If any person who elects or is otherwise required to establish a  
289 bank account under subparagraph (C) of this subdivision fails to remit  
290 tax as provided in this subdivision and the commissioner determines  
291 that collection of such tax will be jeopardized by delay, the  
292 commissioner may serve notice on the financial institution where such  
293 bank account was established and withdraw such tax from such  
294 account. Upon receipt of such notice, the financial institution shall  
295 immediately pay to the commissioner the amount of tax requested by  
296 the commissioner and such payment shall be applied toward the  
297 amount of tax due to the commissioner from such person. The  
298 commissioner shall not withdraw from such account any penalty or  
299 interest that may be owed by such person in connection with such tax.  
300 Such penalty or interest may be collected by the commissioner in  
301 accordance with the provisions of section 12-35, as amended by this  
302 act, and chapter 906.

303 (ii) If the financial institution fails or refuses to pay to the  
304 commissioner the amount of tax sought by the commissioner pursuant  
305 to clause (i) of this subparagraph, the Attorney General may, upon  
306 request by the commissioner, bring an action in the superior court for  
307 the judicial district of Hartford to compel the financial institution to  
308 pay the amount of tax requested by the commissioner. The state may  
309 seek and the court may impose penalties against the financial  
310 institution for its failure to comply with its obligations under this  
311 clause.

312 (iii) Contemporaneously with the service of notice on the financial  
313 institution, the commissioner shall provide a written notice to the  
314 person who established the bank account pursuant to subparagraph  
315 (D)(i) of this subdivision of such person's right to file a claim with the

316 commissioner if such account contains funds other than such taxes that  
317 constitute the property of the state. Such notice shall be provided in  
318 person, left at the person's dwelling or usual place of business, sent by  
319 first-class mail to such person's last-known address or sent by  
320 electronic mail or facsimile machine to such person. Such person shall  
321 have ten business days after receipt of such notice to file such claim on  
322 a form prescribed by the commissioner. Failure to file a claim within  
323 the time period prescribed shall constitute a waiver of any demand  
324 against the state.

325 (iv) Not later than ten business days after receipt of a claim filed  
326 pursuant to clause (iii) of this subparagraph, the commissioner shall  
327 determine whether such claim is valid. If the commissioner determines  
328 the claim is valid, the commissioner shall return to such person only  
329 those funds that are not the property of the state and such funds shall  
330 not be subject to offset by the state. If the commissioner determines the  
331 claim is not valid in whole or in part, the commissioner shall provide  
332 written notice of denial to such person.

333 (v) Not later than five business days after the date of mailing of a  
334 notice of denial, such person may file with the commissioner a written  
335 protest of the denial, setting forth the grounds on which the protest is  
336 based. If a protest is filed, the commissioner shall, not later than ten  
337 business days after receipt of such protest, reconsider the denial. The  
338 commissioner shall provide written notice to such person of the  
339 commissioner's determination of reconsideration, setting forth briefly  
340 the commissioner's findings of fact and the basis for the  
341 commissioner's decision in each case decided adversely in whole or in  
342 part to such person.

343 (vi) Any person aggrieved by a determination of the commissioner  
344 under this subsection may appeal to the superior court for the judicial  
345 district of New Britain, in accordance with the provisions of section 4-  
346 183. Such appeal shall not constitute an appeal from the Commissioner  
347 of Revenue Services for purposes of section 4-186.

348 [(C)] (G) (i) Any person who fails to remit tax as provided in this

349 subdivision shall be subject to all penalties imposed under this chapter,  
350 including revocation of such person's permit.

351 (ii) Any penalty imposed under this subdivision shall not be subject  
352 to waiver.

353 (H) (i) Nothing in this subsection shall affect the rights afforded  
354 under chapter 219 to persons subject to the provisions of this  
355 subsection, including the ability to file a claim for refund under section  
356 12-425.

357 (ii) Except as otherwise provided, no action taken by the  
358 commissioner under this subsection shall constitute collection actions  
359 for purposes of section 12-35, as amended by this act, or chapter 906.

360 (f) Except for returns and payments required to be made under  
361 subdivision (2) of subsection (e) of this section, the commissioner for  
362 good cause may extend the time for making any return and paying any  
363 amount required to be paid under this chapter, if a written request  
364 therefor is filed with the commissioner together with a tentative return  
365 which must be accompanied by a payment of the tax, which shall be  
366 estimated in such tentative return, on or before the last day for filing  
367 the return. Any person to whom an extension is granted shall pay, in  
368 addition to the tax, interest at the rate of one per cent per month or  
369 fraction thereof from the date on which the tax would have been due  
370 without the extension until the date of payment.

371 Sec. 5. Section 12-707 of the general statutes is repealed and the  
372 following is substituted in lieu thereof (*Effective October 1, 2017*):

373 (a) (1) Each employer required to deduct and withhold tax under  
374 this chapter from the wages of employees shall be liable for such tax  
375 and shall file a withholding return as prescribed by the Commissioner  
376 of Revenue Services and pay over to the commissioner, or to a  
377 depository designated by the commissioner, the taxes so required to be  
378 deducted and withheld at the times specified in subsection (b) of this  
379 section.

380 (2) Each payer [of nonpayroll amounts] shall deduct and withhold  
381 tax under this chapter from the nonpayroll amounts of payees, shall be  
382 liable for such tax [,] and shall file a withholding return as prescribed  
383 by the commissioner and pay over to the commissioner, or to a  
384 depository designated by the commissioner, the taxes so required to be  
385 deducted and withheld at the times specified in subsection (b) of this  
386 section.

387 (b) (1) (A) With respect to the tax required to be deducted and  
388 withheld under this chapter from wages paid during any calendar year  
389 beginning on or after January 1, 2005, and in accordance with an  
390 annual determination described in subdivision (2) of this subsection,  
391 each employer shall be either a weekly remitter, monthly remitter or  
392 quarterly remitter for the calendar year. If an employer is a weekly  
393 remitter, the employer shall pay over to the commissioner the tax  
394 required to be deducted and withheld under this chapter in  
395 accordance with subdivision (3) of this subsection. If an employer is a  
396 monthly remitter, the employer shall pay over to the commissioner the  
397 tax required to be deducted and withheld under this chapter in  
398 accordance with subdivision (4) of this subsection. If an employer is a  
399 quarterly remitter, the employer shall pay over to the commissioner  
400 the tax required to be deducted and withheld under this chapter in  
401 accordance with subdivision (5) of this subsection. Notwithstanding  
402 any provision of this subsection, if an employer is a household  
403 employer, the employer shall pay over to the commissioner the tax  
404 required to be deducted and withheld under this chapter in  
405 accordance with subdivision (6) of this subsection.

406 (B) With respect to the tax required to be deducted and withheld  
407 under this chapter from nonpayroll amounts paid during any calendar  
408 year beginning on or after January 1, 2005, and in accordance with an  
409 annual determination described in subdivision (2) of this subsection,  
410 each payer shall be either a weekly remitter, monthly remitter or  
411 quarterly remitter for the calendar year. If a payer is a weekly remitter,  
412 the payer shall pay over to the commissioner the tax required to be  
413 deducted and withheld under this chapter in accordance with

414 subdivision (3) of this subsection. If a payer is a monthly remitter, the  
415 payer shall pay over to the commissioner the tax required to be  
416 deducted and withheld under this chapter in accordance with  
417 subdivision (4) of this subsection. If a payer is a quarterly remitter, the  
418 payer shall pay over to the commissioner the tax required to be  
419 deducted and withheld under this chapter in accordance with  
420 subdivision (5) of this subsection.

421 (2) (A) The annual determination for an employer required to  
422 deduct and withhold tax under this chapter shall be based on the  
423 employer's reported liability for the tax required to be deducted and  
424 withheld under this chapter during the twelve-month look-back  
425 period, provided, if any employer fails timely to file one or more  
426 required withholding tax returns for the four quarterly periods within  
427 the twelve-month look-back period, the commissioner may base the  
428 annual determination for the employer on any information available to  
429 the commissioner. If an employer's reported liability for the tax  
430 required to be deducted and withheld under this chapter during the  
431 twelve-month look-back period was more than ten thousand dollars,  
432 the employer is a weekly remitter for the calendar year next  
433 succeeding such twelve-month period. If an employer's reported  
434 liability for the tax required to be deducted and withheld under this  
435 chapter during the twelve-month look-back period was more than two  
436 thousand dollars but not more than ten thousand dollars, the employer  
437 is a monthly remitter for the calendar year next succeeding such  
438 twelve-month period. If an employer's reported liability for the tax  
439 required to be deducted and withheld under this chapter during the  
440 twelve-month look-back period was two thousand dollars or less, the  
441 employer is a quarterly remitter for the calendar year next succeeding  
442 such twelve-month period. Notwithstanding any provision of this  
443 section, if an employer is a seasonal employer, the annual  
444 determination shall be based on the seasonal employer's reported  
445 liability for the tax required to be deducted and withheld under this  
446 chapter during the twelve-month look-back period multiplied by a  
447 fraction, the numerator of which is four, and the denominator of which  
448 is the number of quarterly periods during such twelve-month period

449 that the employer paid wages to employees.

450 (B) The annual determination for a payer required to deduct and  
451 withhold tax under this chapter shall be based on the payer's reported  
452 liability for the tax required to be deducted and withheld under this  
453 chapter during the look-back calendar year, provided, if any payer  
454 fails timely to file the required withholding tax return for the look-back  
455 calendar year, the commissioner may base the annual determination  
456 for the payer on any information available to the commissioner. If a  
457 payer's reported liability for the tax required to be deducted and  
458 withheld under this chapter during the look-back calendar year was  
459 more than ten thousand dollars, the payer is a weekly remitter for the  
460 calendar year for which the annual determination is being made. If a  
461 payer's reported liability for the tax required to be deducted and  
462 withheld under this chapter during the look-back calendar year was  
463 more than two thousand dollars but not more than ten thousand  
464 dollars, the payer is a monthly remitter for the calendar year for which  
465 the annual determination is being made. If a payer's reported liability  
466 for the tax required to be deducted and withheld under this chapter  
467 during the look-back calendar year was two thousand dollars or less,  
468 the payer is a quarterly remitter for the calendar year for which the  
469 annual determination is being made.

470 (3) (A) An employer that is a weekly remitter shall pay over to the  
471 department the tax required to be deducted and withheld from wages  
472 under this chapter on or before the Wednesday next succeeding the  
473 weekly period during which the wages from which the tax was  
474 required to be deducted and withheld were paid to employees.

475 (B) A payer that is a weekly remitter shall pay over to the  
476 department the tax required to be deducted and withheld from  
477 nonpayroll amounts under this chapter on or before the Wednesday  
478 next succeeding the weekly period during which the nonpayroll  
479 amounts from which the tax was required to be deducted and  
480 withheld were paid to payees.

481 (4) (A) An employer that is a monthly remitter shall pay over to the

482 department the tax required to be deducted and withheld from wages  
483 under this chapter on or before the fifteenth day of the month next  
484 succeeding the month during which the wages from which the tax was  
485 required to be deducted and withheld were paid to employees.

486 (B) A payer that is a monthly remitter shall pay over to the  
487 department the tax required to be deducted and withheld from  
488 nonpayroll amounts under this chapter on or before the fifteenth day  
489 of the month next succeeding the month during which the nonpayroll  
490 amounts from which the tax was required to be deducted and  
491 withheld were paid to payees.

492 (5) (A) An employer that is a quarterly remitter shall pay over to the  
493 department the tax required to be deducted and withheld from wages  
494 under this chapter on or before the last day of the month next  
495 succeeding the quarterly period during which the wages from which  
496 the tax was required to be deducted and withheld were paid to  
497 employees.

498 (B) A payer that is a quarterly remitter shall pay over to the  
499 department the tax required to be deducted and withheld from  
500 nonpayroll amounts under this chapter on or before the last day of the  
501 month next succeeding the quarterly period during which the  
502 nonpayroll amounts from which the tax was required to be deducted  
503 and withheld were paid to payees.

504 (6) An employer that is a household employer shall pay over to the  
505 department the tax required to be deducted and withheld under this  
506 chapter on or before the April fifteenth next succeeding the calendar  
507 year during which the wages from which the tax was required to be  
508 deducted and withheld were paid to household employees.

509 (c) In the case of an overpayment of tax under this chapter by an  
510 employer, refund or credit shall be made to the employer only to the  
511 extent that the amount of such overpayment was not deducted and  
512 withheld by the employer.



513 (d) The amount of tax required to be deducted and withheld and  
514 paid over to the commissioner under this chapter, when so deducted  
515 and withheld, shall be held to be a special fund in trust for the state.  
516 No employee or other person shall have any right of action against the  
517 employer [in] with respect to any moneys deducted and withheld from  
518 wages and paid over to the commissioner in compliance or in intended  
519 compliance with this chapter.

520 (e) (1) If an employer required to deduct and withhold tax under  
521 this chapter from the wages of employees and to pay over to the  
522 commissioner the taxes so required to be deducted and withheld sells  
523 out the employer's business or stock of goods or quits the employer's  
524 business, such employer's successors or assigns shall withhold a  
525 sufficient portion of the purchase price to cover the amount of such  
526 taxes, and any interest and penalties thereon, due and unpaid, as of the  
527 time of such sale or quitting of the business, until the employer  
528 produces a receipt from the commissioner showing that the taxes,  
529 interest and penalties have been paid or a certificate indicating that no  
530 such taxes are due.

531 (2) If the purchaser of a business or stock of goods fails to withhold  
532 a portion of the purchase price as required, the purchaser shall be  
533 personally liable for the payment of the amount required to be  
534 withheld by the purchaser, to the extent of the purchase price, valued  
535 in money. Not later than sixty days after the latest of the dates  
536 specified in subdivision (3) of this subsection, the commissioner shall  
537 either issue a certificate indicating that no taxes are due or mail notice  
538 to the purchaser in the manner provided in section 12-728 of the  
539 amount that must be paid as a condition of issuing the certificate.  
540 Failure of the commissioner to mail the notice shall release the  
541 purchaser from any further obligation to withhold a portion of the  
542 purchase price as provided in this subsection. The period within which  
543 the obligation of the successor may be enforced shall begin when the  
544 employer sells out the employer's business or stock of goods or quits  
545 the employer's business or when the assessment against the employer  
546 becomes final, whichever event occurs later.

547 (3) For purposes of subdivision (2) of this subsection, the latest of  
548 the following dates shall apply:

549 (A) The date that the commissioner receives a written request from  
550 the purchaser for a certificate;

551 (B) The date of the sale or quitting of the business; or

552 (C) The date that the employer's records are made available to the  
553 commissioner for audit.

554 (f) (1) The commissioner may, whenever the commissioner deems it  
555 necessary to ensure compliance with the payment requirements under  
556 this section, require any employer or payer to deposit with the  
557 commissioner such security as the commissioner determines necessary,  
558 provided the amount of such security shall not be greater than six  
559 times the employer's or payer's estimated liability for the prior twelve-  
560 month period or the employer's or payer's liability for the next twelve-  
561 month period, determined in such manner as the commissioner deems  
562 proper. The commissioner may increase or decrease the amount of the  
563 security, subject to the limitations in this subsection.

564 (2) The commissioner may sell the security at public auction if it  
565 becomes necessary to do so to recover any tax or amount required to  
566 be collected or any interest or penalty due. Notice of such sale may be  
567 served personally or by mail upon the person that deposited the  
568 security. If the notice is served by mail, it shall be made in the manner  
569 prescribed for service of notice of a deficiency assessment and shall be  
570 addressed to such person at the person's address as it appears in the  
571 commissioner's records. Security in the form of a bearer bond, issued  
572 by the United States or the state of Connecticut, that has a prevailing  
573 market price may be sold by the commissioner at private sale at a price  
574 not lower than the prevailing market price thereof. Upon any sale, any  
575 surplus above the amounts due shall be returned to the person that  
576 deposited the security.

577 [(f)] (g) As used in this section:

578       (1) "Employer" means an employer, as defined in Section 3401 of the  
579 Internal Revenue Code;

580       (2) "Payer" means a person making a payment of nonpayroll  
581 amounts to one or more payees;

582       (3) "Payee" means a person receiving a payment of nonpayroll  
583 amounts from a payer;

584       (4) "Nonpayroll amounts" includes (A) gambling winnings, other  
585 than Connecticut lottery winnings, that are paid to a resident, or to a  
586 person receiving payment on behalf of a resident, and that are subject  
587 to federal income tax withholding; (B) Connecticut lottery winnings  
588 that are required to be reported by the Connecticut Lottery  
589 Corporation to the Internal Revenue Service, whether or not subject to  
590 federal income tax withholding, whether paid to a resident,  
591 nonresident or a part-year resident, and whether paid to an individual,  
592 trust or estate; (C) pension and annuity distributions, where the  
593 recipient is a resident individual and has requested that tax be  
594 deducted and withheld under this chapter; (D) military retired pay,  
595 where the payee is a resident individual and has requested that tax be  
596 deducted and withheld under this chapter; (E) unemployment  
597 compensation, where the recipient has requested that tax be deducted  
598 and withheld under this chapter; and (F) payments made to an athlete  
599 or entertainer, where the payments are not wages for federal income  
600 tax withholding purposes and where the commissioner requires the  
601 payer to deduct and withhold tax under this chapter;

602       (5) "Reported liability" means, in the case of an employer, the  
603 liability for the tax required to be deducted and withheld under this  
604 chapter, as shown on the employer's withholding tax returns for the  
605 four quarterly periods within the twelve-month look-back period, and,  
606 in the case of a payer, the liability for the tax required to be deducted  
607 and withheld under this chapter, as shown on the payer's withholding  
608 tax return for the look-back calendar year;

609       (6) "Twelve-month look-back period" means the twelve-month

610 period that ended on the June thirtieth next preceding the calendar  
611 year for which the annual determination for an employer is made by  
612 the commissioner;

613 (7) "Look-back calendar year" means the calendar year preceding by  
614 two years the calendar year for which the annual determination for a  
615 payer is made by the commissioner;

616 (8) "Seasonal employer" means an employer that regularly in the  
617 same one or more quarterly periods of each calendar year pays no  
618 wages to employees;

619 (9) "Household employee" means an employee whose services of a  
620 household nature in or about a private home of an employer constitute  
621 domestic service in a private home of the employer, as the phrase is  
622 used in Section 3121(a)(7) of the Internal Revenue Code or in  
623 regulations adopted thereunder;

624 (10) "Household employer" means an employer of a household  
625 employee;

626 (11) "Weekly period" means the seven-day period beginning on a  
627 Saturday and ending on the following Friday; and

628 (12) "Quarterly period" means the period of three full months  
629 beginning on the first day of January, April, July or October.

630 Sec. 6. Section 12-705 of the general statutes is repealed and the  
631 following is substituted in lieu thereof (*Effective January 1, 2018*):

632 (a) (1) Each employer, as defined in section 12-707, as amended by  
633 this act, maintaining an office or transacting business within this state  
634 and making payment of any wages taxable under this chapter to a  
635 resident or nonresident individual shall deduct and withhold from  
636 such wages for each payroll period a tax computed in such manner as  
637 to result, so far as practicable, in withholding from the employee's  
638 wages during each calendar year an amount substantially equivalent  
639 to the tax reasonably estimated to be due from the employee under this

chapter with respect to the amount of such wages during the calendar year. The method of determining the amount to be withheld shall be prescribed by regulations of the Commissioner of Revenue Services adopted in accordance with chapter 54.

(2) Each payer, as defined in section 12-707, as amended by this act, of pension or annuity distributions, including distributions from an employer pension, an annuity, a profit-sharing plan, a stock bonus, a deferred compensation plan, an individual retirement arrangement, an endowment or a life insurance contract, that (A) maintains an office or transacts business within this state, and (B) makes payment of any amounts taxable under this chapter to a resident individual, shall deduct and withhold from the taxable portion of any such distribution a tax computed in such manner as to result, so far as practicable, in withholding from the distributions paid during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the payee, as defined in section 12-707, as amended by this act, under this chapter with respect to such distributions during the calendar year. The method of determining the amount to be withheld shall be the same as the method used by employers with respect to the payment of wages, except that a lump sum distribution shall be taxable at the highest marginal rate unless (i) any portion of the lump sum distribution was previously subject to tax, or (ii) the lump sum distribution is a rollover that is effected as a direct trustee-to-trustee transfer. For purposes of this section, "lump sum distribution" means a payment from a payer to a resident payee of such resident payee's entire retirement account balance, exclusive of any other tax withholding and any administrative charges and fees.

(b) The commissioner may, if such action is deemed necessary for the protection of the revenue and under such regulations as [he] the commissioner may adopt in accordance with the provisions of chapter 54, require persons other than employers and payers (1) to deduct and withhold taxes from payments made by such persons to residents of this state, nonresidents and part-year residents, (2) to file a withholding return as prescribed by the commissioner, and (3) to pay

674 over to the commissioner, or to a depository designated by the  
675 commissioner, the taxes so required to be deducted and withheld, in  
676 accordance with a schedule established in such regulations.

677 (c) The commissioner may adopt regulations providing for  
678 withholding from (1) remuneration for services performed by an  
679 employee for his or her employer [which] that does not constitute  
680 wages, (2) wages paid to an employee by an employer not maintaining  
681 an office or transacting business within this state, or (3) any other type  
682 of payment with respect to which the commissioner finds that  
683 withholding would be appropriate under the provisions of this chapter  
684 if the employer and the employee, or, in the case of any other type of  
685 payment, the person making and the person receiving such payment,  
686 agree to such withholding. Such agreement shall be made in such form  
687 and manner as the commissioner may [, by regulation,] prescribe by  
688 regulations adopted in accordance with the provisions of chapter 54.  
689 For purposes of this chapter, remuneration, wages or other payments  
690 with respect to which such an agreement is made shall be regarded as  
691 if they were wages paid to an employee by an employer maintaining  
692 an office or transacting business within this state to the extent that such  
693 remuneration or wages are paid or other payments are made during  
694 the period for which the agreement is in effect.

695 Sec. 7. Section 12-706 of the general statutes is repealed and the  
696 following is substituted in lieu thereof (*Effective January 1, 2018*):

697 (a) The Commissioner of Revenue Services may enter into  
698 agreements with the tax officers of other states, which require income  
699 tax to be withheld from the payment of wages and salaries, so as to  
700 govern the amounts to be withheld from the wages and salaries of  
701 residents of such states under this chapter. Such agreements may  
702 provide for recognition of anticipated tax credits in determining the  
703 amounts to be withheld and, under regulations prescribed in  
704 accordance with the provisions of chapter 54 by said commissioner,  
705 may relieve employers in this state from withholding income tax on  
706 wages and salaries paid to nonresident employees. The agreements

707 authorized by this subsection are subject to the condition that the tax  
708 officers of such other states grant similar treatment to residents of this  
709 state.

710 (b) (1) Each employer required to deduct and withhold tax under  
711 this chapter from the wages of an employee shall furnish to each such  
712 employee with respect to the wages paid by such employer to such  
713 employee during the calendar year, on or before January thirty-first of  
714 the next succeeding year, a written statement as prescribed by the  
715 Commissioner of Revenue Services showing the amount of wages paid  
716 by the employer to the employee, the amount deducted and withheld  
717 as tax [,] and such other information as said commissioner shall  
718 prescribe. Each such employer shall file a copy of such written  
719 statement with the Commissioner of Revenue Services on or before  
720 [said] such January thirty-first date.

721 (2) Each payer and person other than a payer required to deduct  
722 and withhold tax under this chapter from nonpayroll amounts shall  
723 furnish to each payee, as defined in section 12-707, as amended by this  
724 act, with respect to the nonpayroll amounts paid to such payee during  
725 the calendar year, on or before January thirty-first of the next  
726 succeeding year, a written statement as prescribed by said  
727 commissioner showing the amount of nonpayroll amounts paid to the  
728 payee, the amount deducted and withheld as tax and such other  
729 information as said commissioner shall prescribe. Each such payer  
730 shall file a copy of such written statement with said commissioner on  
731 or before such January thirty-first date.

732 (c) [Wages] Amounts upon which tax is required to be withheld  
733 shall be taxable under this chapter as if no withholding were required,  
734 but any amount of tax actually deducted and withheld in any calendar  
735 year shall be deemed to have been paid to said commissioner on behalf  
736 of the [person] employee or payee from whom withheld [,] and such  
737 [person] employee or payee shall be credited with having paid that  
738 amount of tax for the taxable year beginning in such calendar year.

739 Sec. 8. Subsection (g) of section 12-707 of the general statutes, as

740 amended by section 5 of this act, is repealed and the following is  
741 substituted in lieu thereof (*Effective January 1, 2018*):

742 (g) As used in this section and sections 12-705 and 12-706, as  
743 amended by this act:

744 (1) "Employer" means an employer, as defined in Section 3401 of the  
745 Internal Revenue Code;

746 (2) "Payer" means a person making a payment of nonpayroll  
747 amounts to one or more payees;

748 (3) "Payee" means a person receiving a payment of nonpayroll  
749 amounts from a payer;

750 (4) "Nonpayroll amounts" includes (A) gambling winnings, other  
751 than Connecticut lottery winnings, that are paid to a resident, or to a  
752 person receiving payment on behalf of a resident, and that are subject  
753 to federal income tax withholding; (B) Connecticut lottery winnings  
754 that are required to be reported by the Connecticut Lottery  
755 Corporation to the Internal Revenue Service, whether or not subject to  
756 federal income tax withholding, whether paid to a resident,  
757 nonresident or a part-year resident, and whether paid to an individual,  
758 trust or estate; (C) pension and annuity distributions, [where the  
759 recipient is a resident individual and has requested that tax be  
760 deducted and withheld] for which the payer is required to deduct and  
761 withhold tax under this chapter; (D) military retired pay, where the  
762 payee is a resident individual and has requested that tax be deducted  
763 and withheld under this chapter; (E) unemployment compensation,  
764 where the recipient has requested that tax be deducted and withheld  
765 under this chapter; and (F) payments made to an athlete or entertainer,  
766 where the payments are not wages for federal income tax withholding  
767 purposes and where the commissioner requires the payer to deduct  
768 and withhold tax under this chapter;

769 (5) "Reported liability" means, in the case of an employer, the  
770 liability for the tax required to be deducted and withheld under this



chapter, as shown on the employer's withholding tax returns for the four quarterly periods within the twelve-month look-back period, and, in the case of a payer, the liability for the tax required to be deducted and withheld under this chapter, as shown on the payer's withholding tax return for the look-back calendar year;

(6) "Twelve-month look-back period" means the twelve-month period that ended on the June thirtieth next preceding the calendar year for which the annual determination for an employer is made by the commissioner;

(7) "Look-back calendar year" means the calendar year preceding by two years the calendar year for which the annual determination for a payer is made by the commissioner;

(8) "Seasonal employer" means an employer that regularly in the same one or more quarterly periods of each calendar year pays no wages to employees;

(9) "Household employee" means an employee whose services of a household nature in or about a private home of an employer constitute domestic service in a private home of the employer, as the phrase is used in Section 3121(a)(7) of the Internal Revenue Code or in regulations adopted thereunder;

(10) "Household employer" means an employer of a household employee;

(11) "Weekly period" means the seven-day period beginning on a Saturday and ending on the following Friday; and

(12) "Quarterly period" means the period of three full months beginning on the first day of January, April, July or October.

Sec. 9. (NEW) (*Effective July 1, 2017, and applicable to information returns due for calendar years commencing on or after January 1, 2017*) (a) For purposes of this section, (1) "payment settlement entity", "third party settlement organization" and "electronic payment facilitator"

801 have the same meanings as provided in Section 6050W of the Internal  
802 Revenue Code of 1986, or any subsequent corresponding internal  
803 revenue code of the United States, as amended from time to time, and  
804 (2) "reporting entity" means any payment settlement entity, third party  
805 settlement organization, electronic payment facilitator or other third  
806 party acting on behalf of a payment settlement entity, that processes  
807 reportable payment transactions with respect to a participating payee  
808 located in Connecticut.

809 (b) (1) Each reporting entity shall file with the Department of  
810 Revenue Services, not later than thirty days after the reporting entity  
811 files information returns with the Internal Revenue Service, a duplicate  
812 of all such information returns, in such form and manner as prescribed  
813 by the commissioner.

814 (2) Any reporting entity that fails to file a duplicate information  
815 return required under subdivision (1) of this subsection within the  
816 time prescribed shall be subject to a civil penalty of (A) fifty dollars for  
817 each such failure if the failure is for not more than one month after  
818 such duplicate was required to be filed, and (B) an additional fifty  
819 dollars for each month or fraction thereof during which such failure  
820 continues, except the total amount of the penalty imposed on a  
821 reporting entity under this subdivision shall not exceed two hundred  
822 fifty thousand dollars annually. Subject to the provisions of section 12-  
823 3a of the general statutes, the commissioner may waive all or part of  
824 the penalties provided under this subdivision when it is proven to the  
825 commissioner's satisfaction that the failure to timely file such duplicate  
826 was due to reasonable cause and was not due to wilful neglect.

827 Sec. 10. Subsection (b) of section 12-35 of the general statutes is  
828 repealed and the following is substituted in lieu thereof (*Effective July*  
829 *1, 2017*):

830 (b) (1) Any such warrant on any intangible personal property of any  
831 person may be served by mailing a certified copy of such warrant by  
832 certified mail, return receipt requested, to any third person in  
833 possession of, or obligated with respect to, receivables, bank accounts,

834 evidences of debt, securities, salaries, wages, commissions,  
835 compensation or other intangible personal property subject to such  
836 warrant, ordering such third person to forthwith deliver such property  
837 or pay the amount due or payable to the state collection agency  
838 [which] that has made out such warrant, provided such warrant may  
839 be issued only after the state collection agency making out such  
840 warrant has notified the person owning such property, in writing, of  
841 its intention to issue such warrant. The notice of intent shall be: (A)  
842 Given in person; (B) left at the dwelling or usual place of business of  
843 such person; or (C) sent by certified mail, return receipt requested, to  
844 such person's last known address, not less than thirty days before the  
845 day the warrant is to be issued.

846 (2) Any such warrant on any intangible personal property of any  
847 person may be served by electronic mail or facsimile machine on any  
848 third person in possession of, or obligated with respect to, receivables,  
849 bank accounts, evidences of debt, securities, salaries, wages,  
850 commissions, compensation or other intangible personal property  
851 subject to such warrant, ordering such third person to forthwith  
852 deliver such property or pay the amount due or payable to the state  
853 collection agency [which] that has made out such warrant, provided  
854 such warrant may be issued only after the state collection agency  
855 making out such warrant has notified the person owning such  
856 property, in writing, of its intention to issue such warrant. The notice  
857 of intent shall be: (A) Given in person; (B) left at the dwelling or usual  
858 place of business of such person; or (C) sent by certified mail, return  
859 receipt requested, to such person's last-known address, not less than  
860 thirty days before the day the warrant is to be issued. Any such  
861 warrant for tax due may further include an order to such third person  
862 to continually deliver, during the one hundred eighty days  
863 immediately following the date of issuance of the warrant or until the  
864 tax is fully paid, whichever occurs earlier, all intangible property that  
865 is due and that becomes due to the person owing the tax. Except as  
866 otherwise provided in this subdivision, such warrant shall have the  
867 same force and effect as an execution issued pursuant to chapter 906.

868       Sec. 11. (NEW) (*Effective October 1, 2017*) (a) For purposes of this  
869 section, "hosting platform" means a person that offers an Internet web  
870 site through which (1) hotel or lodging house operators have the  
871 ability to display available hotel or lodging house rooms to prospective  
872 guests, (2) such operators and prospective guests have the ability to  
873 communicate with each other to reach agreement for occupancy of a  
874 room or rooms, and (3) guests have the ability to pay rent to such  
875 operator for such occupancy. "Hosting platform" does not include a  
876 person that advertises accommodations exclusively at a hotel or  
877 lodging house that holds a permit provided for in section 12-409 of the  
878 general statutes, as amended by this act.

879       (b) A hosting platform shall obtain a permit from the Commissioner  
880 of Revenue Services to collect the tax imposed under subparagraph (B)  
881 of subdivision (1) of section 12-411 of the general statutes. The hosting  
882 platform shall collect and remit such tax in the same form and manner  
883 as if the hosting platform is the hotel or lodging house operator. Any  
884 person other than a hosting platform may obtain a certificate of  
885 authority from the commissioner to collect such tax, provided such  
886 person agrees to collect such tax in accordance with the provisions of  
887 subdivision (3) of section 12-411 of the general statutes for occupancy  
888 of any room or rooms in a hotel or lodging house located in this state.

889       (c) If a guest has paid rent to the hosting platform and the hosting  
890 platform has collected the tax due on such rent, the hotel or lodging  
891 house operator shall not be required to collect the tax imposed under  
892 subparagraph (B) of subdivision (1) of section 12-411 of the general  
893 statutes.

894       Sec. 12. Section 12-3c of the general statutes is repealed and the  
895 following is substituted in lieu thereof (*Effective from passage*):

896       The Commissioner of Revenue Services shall, subject to the  
897 provisions of section 31-51i, require each applicant for a position of  
898 employment with, [and] each employee applying for transfer to and, at  
899 least once every ten years, each current employee of, the Department  
900 of Revenue Services, to (1) state in writing whether such applicant or

901 employee has ever been convicted of a crime or whether criminal  
902 charges are pending against such applicant or employee at the time of  
903 application for employment or transfer and, if so, to identify the  
904 charges and court in which such charges are pending, and (2) be  
905 fingerprinted and submit to state and national criminal history records  
906 checks. The criminal history records checks required by this section  
907 shall be conducted in accordance with section 29-17a.

908 Sec. 13. Subparagraph (B) of subdivision (1) of section 12-408 of the  
909 general statutes is repealed and the following is substituted in lieu  
910 thereof (*Effective October 1, 2017, and applicable to sales occurring on or*  
911 *after October 1, 2017*):

912 (B) (i) At a rate of fifteen per cent with respect to each transfer of  
913 occupancy, from the total amount of rent received [for such occupancy  
914 of any room or rooms in] by a hotel or lodging house for the first  
915 period not exceeding thirty consecutive calendar days;

916 (ii) At a rate of eleven per cent with respect to each transfer of  
917 occupancy, from the total amount of rent received by a bed and  
918 breakfast establishment for the first period not exceeding thirty  
919 consecutive calendar days;

920 Sec. 14. Subparagraph (B) of subdivision (1) of section 12-411 of the  
921 general statutes is repealed and the following is substituted in lieu  
922 thereof (*Effective October 1, 2017, and applicable to sales occurring on or*  
923 *after October 1, 2017*):

924 (B) (i) At a rate of fifteen per cent of the rent paid [for occupancy of  
925 any room or rooms in] to a hotel or lodging house for the first period  
926 [of not more than] not exceeding thirty consecutive calendar days;

927 (ii) At a rate of eleven per cent of the rent paid to a bed and  
928 breakfast establishment for the first period not exceeding thirty  
929 consecutive calendar days;

930 Sec. 15. Section 12-407 of the general statutes is repealed and the  
931 following is substituted in lieu thereof (*Effective October 1, 2017, and*

932 *applicable to sales occurring on or after October 1, 2017*):

933 (a) Whenever used in this chapter:

934 (1) "Person" means and includes any individual, firm,  
935 copartnership, joint venture, association, association of persons  
936 however formed, social club, fraternal organization, corporation,  
937 limited liability company, foreign municipal electric utility as defined  
938 in section 12-59, estate, trust, fiduciary, receiver, trustee, syndicate, the  
939 United States, this state or any political subdivision thereof or any  
940 group or combination acting as a unit, and any other individual or  
941 officer acting under the authority of any court in this state.

942 (2) "Sale" and "selling" mean and include:

943 (A) Any transfer of title, exchange or barter, conditional or  
944 otherwise, in any manner or by any means whatsoever, of tangible  
945 personal property for a consideration;

946 (B) Any withdrawal, except a withdrawal pursuant to a transaction  
947 in foreign or interstate commerce, of tangible personal property from  
948 the place where it is located for delivery to a point in this state for the  
949 purpose of the transfer of title, exchange or barter, conditional or  
950 otherwise, in any manner or by any means whatsoever, of the property  
951 for a consideration;

952 (C) The producing, fabricating, processing, printing or imprinting of  
953 tangible personal property for a consideration for consumers who  
954 furnish either directly or indirectly the materials used in the  
955 producing, fabricating, processing, printing or imprinting, including,  
956 but not limited to, sign construction, photofinishing, duplicating and  
957 photocopying;

958 (D) The furnishing and distributing of tangible personal property  
959 for a consideration by social clubs and fraternal organizations to their  
960 members or others;

961 (E) The furnishing, preparing, or serving for a consideration of food,

962 meals or drinks;

963 (F) A transaction whereby the possession of property is transferred  
964 but the seller retains the title as security for the payment of the price;

965 (G) A transfer for a consideration of the title of tangible personal  
966 property which has been produced, fabricated or printed to the special  
967 order of the customer, or of any publication, including, but not limited  
968 to, sign construction, photofinishing, duplicating and photocopying;

969 (H) A transfer for a consideration of the occupancy of any room or  
970 rooms in a hotel, [or] lodging house or bed and breakfast  
971 establishment for a period of thirty consecutive calendar days or less;

972 (I) The rendering of certain services, as defined in subdivision (37)  
973 of this subsection, for a consideration, exclusive of such services  
974 rendered by an employee for the employer;

975 (J) The leasing or rental of tangible personal property of any kind  
976 whatsoever, including, but not limited to, motor vehicles, linen or  
977 towels, machinery or apparatus, office equipment and data processing  
978 equipment, provided for purposes of this subdivision and the  
979 application of sales and use tax to contracts of lease or rental of  
980 tangible personal property, the leasing or rental of any motion picture  
981 film by the owner or operator of a motion picture theater for purposes  
982 of display at such theater shall not constitute a sale within the meaning  
983 of this subsection;

984 (K) The rendering of telecommunications service, as defined in  
985 subdivision (26) of this subsection, for a consideration on or after  
986 January 1, 1990, exclusive of any such service rendered by an employee  
987 for the employer of such employee, subject to the provisions related to  
988 telecommunications service in accordance with section 12-407a;

989 (L) (i) The rendering of community antenna television service, as  
990 defined in subdivision (27) of this subsection, for a consideration on or  
991 after January 1, 1990, exclusive of any such service rendered by an  
992 employee for the employer of such employee. For purposes of this

993 chapter, "community antenna television service" includes service  
994 provided by a holder of a certificate of cable franchise authority  
995 pursuant to section 16-331p, and service provided by a community  
996 antenna television company issued a certificate of video franchise  
997 authority pursuant to section 16-331e for any service area in which it  
998 was not certified to provide community antenna television service  
999 pursuant to section 16-331 on or before October 1, 2007;

1000 (ii) The rendering of certified competitive video service, as defined  
1001 in subdivision (38) of this subsection, for consideration on or after  
1002 October 1, 2007, exclusive of any such service rendered by an  
1003 employee for the employer of such employee;

1004 (M) The transfer for consideration of space or the right to use any  
1005 space for the purpose of storage or mooring of any noncommercial  
1006 vessel, exclusive of dry or wet storage or mooring of such vessel  
1007 during the period commencing on the first day of October in any year  
1008 to and including the thirty-first day of May of the next succeeding  
1009 year;

1010 (N) The sale for consideration of naming rights to any place of  
1011 amusement, entertainment or recreation within the meaning of  
1012 subdivision (3) of section 12-540;

1013 (O) The transfer for consideration of a prepaid telephone calling  
1014 service, as defined in subdivision (34) of this subsection, and the  
1015 recharge of a prepaid telephone calling service, provided, if the sale or  
1016 recharge of a prepaid telephone calling service does not take place at  
1017 the retailer's place of business and an item is shipped by the retailer to  
1018 the customer, the sale or recharge shall be deemed to take place at the  
1019 customer's shipping address, but, if such sale or recharge does not take  
1020 place at the retailer's place of business and no item is shipped by the  
1021 retailer to the customer, the sale or recharge shall be deemed to take  
1022 place at the customer's billing address or the location associated with  
1023 the customer's mobile telephone number; and

1024 (P) The furnishing by any person, for a consideration, of space for



1025 storage of tangible personal property when such person is engaged in  
1026 the business of furnishing such space, but "sale" and "selling" do not  
1027 mean or include the furnishing of space which is used by a person for  
1028 residential purposes. As used in this subparagraph, "space for storage"  
1029 means secure areas, such as rooms, units, compartments or containers,  
1030 whether accessible from outside or from within a building, that are  
1031 designated for the use of a customer, where the customer can store and  
1032 retrieve property, including self-storage units, mini-storage units and  
1033 areas by any other name to which the customer has either unlimited  
1034 free access or free access within reasonable business hours or upon  
1035 reasonable notice to the service provider to add or remove property,  
1036 but does not mean the rental of an entire building, such as a  
1037 warehouse. For purposes of this subparagraph, furnishing space for  
1038 storage shall not include general warehousing and storage, where the  
1039 warehouse typically handles, stores and retrieves a customer's  
1040 property using the warehouse's staff and equipment and does not  
1041 allow the customer free access to the storage space and shall not  
1042 include accepting specific items of property for storage, such as  
1043 clothing at a dry cleaning establishment or golf bags at a golf club.

1044 (3) (A) "Retail sale" or "sale at retail" means and includes a sale for  
1045 any purpose other than resale in the regular course of business of  
1046 tangible personal property or a transfer for a consideration of the  
1047 occupancy of any room or rooms in a hotel, [or] lodging house or bed  
1048 and breakfast establishment for a period of thirty consecutive calendar  
1049 days or less, or the rendering of any service described in subdivision  
1050 (2) of this subsection. The delivery in this state of tangible personal  
1051 property by an owner or former owner thereof or by a factor, if the  
1052 delivery is to a consumer pursuant to a retail sale made by a retailer  
1053 not engaged in business in this state, is a retail sale in this state by the  
1054 person making the delivery. Such person shall include the retail selling  
1055 price of the property in such person's gross receipts.

1056 (B) "Retail sale" or "sale at retail" does not include any sale of any  
1057 tangible personal property, where, no later than one hundred twenty  
1058 days after the original sale, the original purchaser sells or becomes

1059 contractually obligated to sell such property to a retailer who is  
1060 contractually obligated to lease such property back to such original  
1061 purchaser in a lease that is taxable under this chapter or the sale of  
1062 such property by the original purchaser to the retailer who is  
1063 contractually obligated to lease such property back to such original  
1064 purchaser in a lease that is taxable under this chapter. If the original  
1065 purchaser has paid sales or use tax on the original sale of such  
1066 property to the original purchaser, such original purchaser may (i)  
1067 claim a refund of such tax under the provisions of section 12-425, upon  
1068 presentation of proof satisfactory to the commissioner that the mutual  
1069 contractual obligations described in this subparagraph were  
1070 undertaken no later than one hundred twenty days after the original  
1071 sale and that such tax was paid to the original retailer on the original  
1072 sale and was remitted to the commissioner by such original retailer or  
1073 by such original purchaser, or (ii) issue at the time of such original sale  
1074 or no later than one hundred twenty days thereafter a certificate, in the  
1075 form prescribed by the commissioner, to the original retailer certifying  
1076 that the mutual contractual obligations described in this subparagraph  
1077 have been undertaken. If such certificate is issued to the original  
1078 retailer at the time of the original sale, no tax on the original sale shall  
1079 be collected by the original retailer from the original purchaser. If the  
1080 certificate is issued after the time of the original sale but no later than  
1081 one hundred twenty days thereafter, the original retailer shall refund  
1082 to the original purchaser the tax collected on the original sale and, if  
1083 the original retailer has previously remitted the tax to the  
1084 commissioner, the original retailer may either treat the amount so  
1085 refunded as a credit against the tax due on the return next filed under  
1086 this chapter, or claim a refund under section 12-425. If such certificate  
1087 is issued no later than one hundred twenty days after the time of the  
1088 original sale but the tangible personal property originally purchased is  
1089 not, in fact, subsequently leased by the original purchaser, such  
1090 original purchaser shall be liable for and be required to pay the tax due  
1091 on the original sale.

1092 (4) "Storage" includes any keeping or retention in this state for any  
1093 purpose except sale in the regular course of business or subsequent use

1094 solely outside this state of tangible personal property purchased from  
1095 a retailer.

1096 (5) "Use" includes the exercise of any right or power over tangible  
1097 personal property incident to the ownership of that property, except  
1098 that it does not include the sale of that property in the regular course  
1099 of business.

1100 (6) "Storage" and "use" do not include (A) keeping, retaining or  
1101 exercising any right or power over tangible personal property shipped  
1102 or brought into this state for the purpose of subsequently transporting  
1103 it outside the state for use thereafter solely outside the state, or for the  
1104 purpose of being processed, fabricated or manufactured into, attached  
1105 to or incorporated into, other tangible personal property to be  
1106 transported outside the state and thereafter used solely outside the  
1107 state, or (B) keeping, retaining or exercising any right or power over  
1108 tangible personal property acquired by the customer of a commercial  
1109 printer while such property is located at the premises of the  
1110 commercial printer in this state pursuant to a contract with such  
1111 printer for printing and distribution of printed material if the  
1112 commercial printer could have acquired such property without  
1113 application of tax under this chapter.

1114 (7) "Purchase" and "purchasing" means and includes: (A) Any  
1115 transfer, exchange or barter, conditional or otherwise, in any manner  
1116 or by any means whatsoever, of tangible personal property or of the  
1117 occupancy of any room or rooms in a hotel, [or] lodging house or bed  
1118 and breakfast establishment for a period of thirty consecutive calendar  
1119 days or less for a consideration; (B) a transaction whereby the  
1120 possession of property is transferred but the seller retains the title as  
1121 security for the payment of the price; (C) a transfer for a consideration  
1122 of tangible personal property which has been produced, fabricated or  
1123 printed to the special order of the customer, or of any publication; (D)  
1124 when performed outside this state or when the customer gives a resale  
1125 certificate pursuant to section 12-410, the producing, fabricating,  
1126 processing, printing or imprinting of tangible personal property for a

1127 consideration for consumers who furnish either directly or indirectly  
1128 the materials used in the producing, fabricating, processing, printing  
1129 or imprinting; (E) the acceptance or receipt of any service described in  
1130 any of the subparagraphs of subdivision (2) of this subsection; (F) any  
1131 leasing or rental of tangible personal property. Wherever in this  
1132 chapter reference is made to the purchase or purchasing of tangible  
1133 personal property, it shall be construed to include purchases as  
1134 described in this subsection.

1135 (8) (A) "Sales price" means the total amount for which tangible  
1136 personal property is sold by a retailer, the total amount of rent for  
1137 which occupancy of a room is transferred by an operator, the total  
1138 amount for which any service described in subdivision (2) of this  
1139 subsection is rendered by a retailer or the total amount of payment or  
1140 periodic payments for which tangible personal property is leased by a  
1141 retailer, valued in money, whether paid in money or otherwise, which  
1142 amount is due and owing to the retailer or operator and, subject to the  
1143 provisions of subdivision (1) of section 12-408, as amended by this act,  
1144 whether or not actually received by the retailer or operator, without  
1145 any deduction on account of any of the following: (i) The cost of the  
1146 property sold; (ii) the cost of materials used, labor or service cost,  
1147 interest charged, losses or any other expenses; (iii) for any sale  
1148 occurring on or after July 1, 1993, any charges by the retailer to the  
1149 purchaser for shipping or delivery, notwithstanding whether such  
1150 charges are separately stated in a written contract, or on a bill or  
1151 invoice rendered to such purchaser or whether such shipping or  
1152 delivery is provided by the retailer or a third party. The provisions of  
1153 subparagraph (A) (iii) of this subdivision shall not apply to any item  
1154 exempt from taxation pursuant to section 12-412. Such total amount  
1155 includes any services that are a part of the sale; except as otherwise  
1156 provided in subparagraph (B)(v) or (B)(vi) of this subdivision, any  
1157 amount for which credit is given to the purchaser by the retailer, and  
1158 all compensation and all employment-related expenses, whether or not  
1159 separately stated, paid to or on behalf of employees of a retailer of any  
1160 service described in subdivision (2) of this subsection.

1161 (B) "Sales price" does not include any of the following: (i) Cash  
1162 discounts allowed and taken on sales; (ii) any portion of the amount  
1163 charged for property returned by purchasers, which upon rescission of  
1164 the contract of sale is refunded either in cash or credit, provided the  
1165 property is returned within ninety days from the date of purchase; (iii)  
1166 the amount of any tax, not including any manufacturers' or importers'  
1167 excise tax, imposed by the United States upon or with respect to retail  
1168 sales whether imposed upon the retailer or the purchaser; (iv) the  
1169 amount charged for labor rendered in installing or applying the  
1170 property sold, provided such charge is separately stated and exclusive  
1171 of such charge for any service rendered within the purview of  
1172 subparagraph (I) of subdivision (37) of this subsection; (v) unless the  
1173 provisions of subdivision (4) of section 12-430 or of section 12-430a are  
1174 applicable, any amount for which credit is given to the purchaser by  
1175 the retailer, provided such credit is given solely for property of the  
1176 same kind accepted in part payment by the retailer and intended by  
1177 the retailer to be resold; (vi) the full face value of any coupon used by a  
1178 purchaser to reduce the price paid to a retailer for an item of tangible  
1179 personal property, whether or not the retailer will be reimbursed for  
1180 such coupon, in whole or in part, by the manufacturer of the item of  
1181 tangible personal property or by a third party; (vii) the amount  
1182 charged for separately stated compensation, fringe benefits, workers'  
1183 compensation and payroll taxes or assessments paid to or on behalf of  
1184 employees of a retailer who has contracted to manage a service  
1185 recipient's property or business premises and renders management  
1186 services described in subparagraph (I) or (J) of subdivision (37) of this  
1187 subsection, provided, the employees perform such services solely for  
1188 the service recipient at its property or business premises and "sales  
1189 price" shall include the separately stated compensation, fringe benefits,  
1190 workers' compensation and payroll taxes or assessments paid to or on  
1191 behalf of any employee of the retailer who is an officer, director or  
1192 owner of more than five per cent of the outstanding capital stock of the  
1193 retailer. Determination whether an employee performs services solely  
1194 for a service recipient at its property or business premises for purposes  
1195 of this subdivision shall be made by reference to such employee's

1196 activities during the time period beginning on the later of the  
1197 commencement of the management contract, the date of the  
1198 employee's first employment by the retailer or the date which is six  
1199 months immediately preceding the date of such determination; (viii)  
1200 the amount charged for separately stated compensation, fringe  
1201 benefits, workers' compensation and payroll taxes or assessments paid  
1202 to or on behalf of (I) a leased employee, or (II) a worksite employee by  
1203 a professional employer organization pursuant to a professional  
1204 employer agreement. For purposes of this subparagraph, an employee  
1205 shall be treated as a leased employee if the employee is provided to the  
1206 client at the commencement of an agreement with an employee leasing  
1207 organization under which at least seventy-five per cent of the  
1208 employees provided to the client at the commencement of such initial  
1209 agreement qualify as leased employees pursuant to Section 414(n) of  
1210 the Internal Revenue Code of 1986, or any subsequent corresponding  
1211 internal revenue code of the United States, as from time to time  
1212 amended, or the employee is added to the client's workforce by the  
1213 employee leasing organization subsequent to the commencement of  
1214 such initial agreement and qualifies as a leased employee pursuant to  
1215 Section 414(n) of said Internal Revenue Code of 1986 without regard to  
1216 subparagraph (B) of paragraph (2) thereof. A leased employee, or a  
1217 worksite employee subject to a professional employer agreement, shall  
1218 not include any employee who is hired by a temporary help service  
1219 and assigned to support or supplement the workforce of a temporary  
1220 help service's client; (ix) any amount received by a retailer from a  
1221 purchaser as the battery deposit that is required to be paid under  
1222 subsection (a) of section 22a-245h; the refund value of a beverage  
1223 container that is required to be paid under subsection (a) of section  
1224 22a-244; or a deposit that is required by law to be paid by the  
1225 purchaser to the retailer and that is required by law to be refunded to  
1226 the purchaser by the retailer when the same or similar tangible  
1227 personal property is delivered as required by law to the retailer by the  
1228 purchaser, if such amount is separately stated on the bill or invoice  
1229 rendered by the retailer to the purchaser; and (x) the amount charged  
1230 for separately stated compensation, fringe benefits, workers'

1231 compensation and payroll taxes or assessments paid to a media payroll  
1232 services company, as defined in this subsection.

1233 (9) (A) "Gross receipts" means the total amount of the sales price  
1234 from retail sales of tangible personal property by a retailer, the total  
1235 amount of the rent from transfers of occupancy of rooms by an  
1236 operator, the total amount of the sales price from retail sales of any  
1237 service described in subdivision (2) of this subsection by a retailer of  
1238 services, or the total amount of payment or periodic payments from  
1239 leases or rentals of tangible personal property by a retailer, valued in  
1240 money, whether received in money or otherwise, which amount is due  
1241 and owing to the retailer or operator and, subject to the provisions of  
1242 subdivision (1) of section 12-408, as amended by this act, whether or  
1243 not actually received by the retailer or operator, without any deduction  
1244 on account of any of the following: (i) The cost of the property sold;  
1245 however, in accordance with such regulations as the Commissioner of  
1246 Revenue Services may prescribe, a deduction may be taken if the  
1247 retailer has purchased property for some other purpose than resale,  
1248 has reimbursed the retailer's vendor for tax which the vendor is  
1249 required to pay to the state or has paid the use tax with respect to the  
1250 property, and has resold the property prior to making any use of the  
1251 property other than retention, demonstration or display while holding  
1252 it for sale in the regular course of business. If such a deduction is taken  
1253 by the retailer, no refund or credit will be allowed to the retailer's  
1254 vendor with respect to the sale of the property; (ii) the cost of the  
1255 materials used, labor or service cost, interest paid, losses or any other  
1256 expense; (iii) for any sale occurring on or after July 1, 1993, except for  
1257 any item exempt from taxation pursuant to section 12-412, any charges  
1258 by the retailer to the purchaser for shipping or delivery,  
1259 notwithstanding whether such charges are separately stated in the  
1260 written contract, or on a bill or invoice rendered to such purchaser or  
1261 whether such shipping or delivery is provided by the retailer or a third  
1262 party. The total amount of the sales price includes any services that are  
1263 a part of the sale; all receipts, cash, credits and property of any kind;  
1264 except as otherwise provided in subparagraph (B)(v) or (B)(vi) of this  
1265 subdivision, any amount for which credit is allowed by the retailer to

1266 the purchaser; and all compensation and all employment-related  
1267 expenses, whether or not separately stated, paid to or on behalf of  
1268 employees of a retailer of any service described in subdivision (2) of  
1269 this subsection.

1270 (B) "Gross receipts" do not include any of the following: (i) Cash  
1271 discounts allowed and taken on sales; (ii) any portion of the sales price  
1272 of property returned by purchasers, which upon rescission of the  
1273 contract of sale is refunded either in cash or credit, provided the  
1274 property is returned within ninety days from the date of sale; (iii) the  
1275 amount of any tax, not including any manufacturers' or importers'  
1276 excise tax, imposed by the United States upon or with respect to retail  
1277 sales whether imposed upon the retailer or the purchaser; (iv) the  
1278 amount charged for labor rendered in installing or applying the  
1279 property sold, provided such charge is separately stated and exclusive  
1280 of such charge for any service rendered within the purview of  
1281 subparagraph (I) of subdivision (37) of this subsection; (v) unless the  
1282 provisions of subdivision (4) of section 12-430 or of section 12-430a are  
1283 applicable, any amount for which credit is given to the purchaser by  
1284 the retailer, provided such credit is given solely for property of the  
1285 same kind accepted in part payment by the retailer and intended by  
1286 the retailer to be resold; (vi) the full face value of any coupon used by a  
1287 purchaser to reduce the price paid to the retailer for an item of tangible  
1288 personal property, whether or not the retailer will be reimbursed for  
1289 such coupon, in whole or in part, by the manufacturer of the item of  
1290 tangible personal property or by a third party; (vii) the amount  
1291 charged for separately stated compensation, fringe benefits, workers'  
1292 compensation and payroll taxes or assessments paid to or on behalf of  
1293 employees of a retailer who has contracted to manage a service  
1294 recipient's property or business premises and renders management  
1295 services described in subparagraph (I) or (J) of subdivision (37) of this  
1296 subsection, provided the employees perform such services solely for  
1297 the service recipient at its property or business premises and "gross  
1298 receipts" shall include the separately stated compensation, fringe  
1299 benefits, workers' compensation and payroll taxes or assessments paid  
1300 to or on behalf of any employee of the retailer who is an officer,



1301 director or owner of more than five per cent of the outstanding capital  
1302 stock of the retailer. Determination whether an employee performs  
1303 services solely for a service recipient at its property or business  
1304 premises for purposes of this subdivision shall be made by reference to  
1305 such employee's activities during the time period beginning on the  
1306 later of the commencement of the management contract, the date of the  
1307 employee's first employment by the retailer or the date which is six  
1308 months immediately preceding the date of such determination; (viii)  
1309 the amount charged for separately stated compensation, fringe  
1310 benefits, workers' compensation and payroll taxes or assessments paid  
1311 to or on behalf of (I) a leased employee, or (II) a worksite employee by  
1312 a professional employer organization pursuant to a professional  
1313 employer agreement. For purposes of this subparagraph, an employee  
1314 shall be treated as a leased employee if the employee is provided to the  
1315 client at the commencement of an agreement with an employee leasing  
1316 organization under which at least seventy-five per cent of the  
1317 employees provided to the client at the commencement of such initial  
1318 agreement qualify as leased employees pursuant to Section 414(n) of  
1319 the Internal Revenue Code of 1986, or any subsequent corresponding  
1320 internal revenue code of the United States, as from time to time  
1321 amended, or the employee is added to the client's workforce by the  
1322 employee leasing organization subsequent to the commencement of  
1323 such initial agreement and qualifies as a leased employee pursuant to  
1324 Section 414(n) of said Internal Revenue Code of 1986 without regard to  
1325 subparagraph (B) of paragraph (2) thereof. A leased employee, or a  
1326 worksite employee subject to a professional employer agreement, shall  
1327 not include any employee who is hired by a temporary help service  
1328 and assigned to support or supplement the workforce of a temporary  
1329 help service's client; (ix) the amount received by a retailer from a  
1330 purchaser as the battery deposit that is required to be paid under  
1331 subsection (a) of section 22a-256h; the refund value of a beverage  
1332 container that is required to be paid under subsection (a) of section  
1333 22a-244 or a deposit that is required by law to be paid by the purchaser  
1334 to the retailer and that is required by law to be refunded to the  
1335 purchaser by the retailer when the same or similar tangible personal

1336 property is delivered as required by law to the retailer by the  
1337 purchaser, if such amount is separately stated on the bill or invoice  
1338 rendered by the retailer to the purchaser; and (x) the amount charged  
1339 for separately stated compensation, fringe benefits, workers'  
1340 compensation and payroll taxes or assessments paid to a media payroll  
1341 services company, as defined in this subsection.

1342 (10) "Business" includes any activity engaged in by any person or  
1343 caused to be engaged in by any person with the object of gain, benefit  
1344 or advantage, either direct or indirect.

1345 (11) "Seller" includes every person engaged in the business of selling  
1346 tangible personal property or rendering any service described in any of  
1347 the subparagraphs of subdivision (2) of this subsection, the gross  
1348 receipts from the retail sale of which are required to be included in the  
1349 measure of the sales tax and every operator as defined in subdivision  
1350 (18) of this subsection.

1351 (12) "Retailer" includes: (A) Every person engaged in the business of  
1352 making sales at retail or in the business of making retail sales at  
1353 auction of tangible personal property owned by the person or others;  
1354 (B) every person engaged in the business of making sales for storage,  
1355 use or other consumption or in the business of making sales at auction  
1356 of tangible personal property owned by the person or others for  
1357 storage, use or other consumption; (C) every operator, as defined in  
1358 subdivision (18) of this subsection; (D) every seller rendering any  
1359 service described in subdivision (2) of this subsection; (E) every person  
1360 under whom any salesman, representative, peddler or canvasser  
1361 operates in this state, or from whom such salesman, representative,  
1362 peddler or canvasser obtains the tangible personal property that is  
1363 sold; (F) every person with whose assistance any seller is enabled to  
1364 solicit orders within this state; (G) every person making retail sales  
1365 from outside this state to a destination within this state and not  
1366 maintaining a place of business in this state who engages in regular or  
1367 systematic solicitation of sales of tangible personal property in this  
1368 state (i) by the display of advertisements on billboards or other

1369 outdoor advertising in this state, (ii) by the distribution of catalogs,  
1370 periodicals, advertising flyers or other advertising by means of print,  
1371 radio or television media, or (iii) by mail, telegraphy, telephone,  
1372 computer data base, cable, optic, microwave or other communication  
1373 system, for the purpose of effecting retail sales of tangible personal  
1374 property, provided such person has made one hundred or more retail  
1375 sales from outside this state to destinations within this state during the  
1376 twelve-month period ended on the September thirtieth immediately  
1377 preceding the monthly or quarterly period with respect to which such  
1378 person's liability for tax under this chapter is determined; (H) any  
1379 person owned or controlled, either directly or indirectly, by a retailer  
1380 engaged in business in this state which is the same as or similar to the  
1381 line of business in which such person so owned or controlled is  
1382 engaged; (I) any person owned or controlled, either directly or  
1383 indirectly, by the same interests that own or control, either directly or  
1384 indirectly, a retailer engaged in business in this state which is the same  
1385 as or similar to the line of business in which such person so owned or  
1386 controlled is engaged; (J) any assignee of a person engaged in the  
1387 business of leasing tangible personal property to others, where leased  
1388 property of such person which is subject to taxation under this chapter  
1389 is situated within this state and such assignee has a security interest, as  
1390 defined in subdivision (35) of subsection (b) of section 42a-1-201, in  
1391 such property; (K) every person making retail sales of items of tangible  
1392 personal property from outside this state to a destination within this  
1393 state and not maintaining a place of business in this state who repairs  
1394 or services such items, under a warranty, in this state, either directly or  
1395 indirectly through an agent, independent contractor or subsidiary; and  
1396 (L) every person making sales of tangible personal property or services  
1397 through an agreement with another person located in this state under  
1398 which such person located in this state, for a commission or other  
1399 consideration that is based upon the sale of tangible personal property  
1400 or services by the retailer, directly or indirectly refers potential  
1401 customers, whether by a link on an Internet web site or otherwise, to  
1402 the retailer, provided the cumulative gross receipts from sales by the  
1403 retailer to customers in the state who are referred to the retailer by all

1404 such persons with this type of an agreement with the retailer, is in  
1405 excess of two thousand dollars during the preceding four quarterly  
1406 periods ending on the last day of March, June, September and  
1407 December.

1408 (13) "Tangible personal property" means personal property which  
1409 may be seen, weighed, measured, felt or touched or which is in any  
1410 other manner perceptible to the senses including canned or prewritten  
1411 computer software. Tangible personal property includes the  
1412 distribution, generation or transmission of electricity.

1413 (14) "In this state" or "in the state" means within the exterior limits of  
1414 the state of Connecticut and includes all territory within these limits  
1415 owned by or ceded to the United States of America.

1416 (15) (A) "Engaged in business in the state" means and includes but  
1417 shall not be limited to the following acts or methods of transacting  
1418 business: (i) Selling in this state, or any activity in this state in  
1419 connection with selling in this state, tangible personal property for use,  
1420 storage or consumption within the state; (ii) engaging in the transfer  
1421 for a consideration of the occupancy of any room or rooms in a hotel,  
1422 [or] lodging house or bed and breakfast establishment for a period of  
1423 thirty consecutive calendar days or less; (iii) rendering in this state any  
1424 service described in any of the subparagraphs of subdivision (2) of this  
1425 subsection; (iv) maintaining, occupying or using, permanently or  
1426 temporarily, directly or indirectly, through a subsidiary or agent, by  
1427 whatever name called, any office, place of distribution, sales or sample  
1428 room or place, warehouse or storage point or other place of business or  
1429 having any representative, agent, salesman, canvasser or solicitor  
1430 operating in this state for the purpose of selling, delivering or taking  
1431 orders; (v) notwithstanding the fact that retail sales are made from  
1432 outside this state to a destination within this state and that a place of  
1433 business is not maintained in this state, engaging in regular or  
1434 systematic solicitation of sales of tangible personal property in this  
1435 state by the display of advertisements on billboards or other outdoor  
1436 advertising in this state, by the distribution of catalogs, periodicals,

1437 advertising flyers or other advertising by means of print, radio or  
1438 television media, or by mail, telegraphy, telephone, computer data  
1439 base, cable, optic, microwave or other communication system, for the  
1440 purpose of effecting retail sales of tangible personal property,  
1441 provided one hundred or more retail sales from outside this state to  
1442 destinations within this state are made during the twelve-month  
1443 period ended on the September thirtieth immediately preceding the  
1444 monthly or quarterly period with respect to which liability for tax  
1445 under this chapter is determined; (vi) being owned or controlled,  
1446 either directly or indirectly, by a retailer engaged in business in this  
1447 state which is the same as or similar to the line of business in which the  
1448 retailer so owned or controlled is engaged; (vii) being owned or  
1449 controlled, either directly or indirectly, by the same interests that own  
1450 or control, either directly or indirectly, a retailer engaged in business in  
1451 this state which is the same as or similar to the line of business in  
1452 which the retailer so owned or controlled is engaged; (viii) being the  
1453 assignee of a person engaged in the business of leasing tangible  
1454 personal property to others, where leased property of such person is  
1455 situated within this state and such assignee has a security interest, as  
1456 defined in subdivision (35) of subsection (b) of section 42a-1-201, in  
1457 such property; (ix) notwithstanding the fact that retail sales of items of  
1458 tangible personal property are made from outside this state to a  
1459 destination within this state and that a place of business is not  
1460 maintained in this state, repairing or servicing such items, under a  
1461 warranty, in this state, either directly or indirectly through an agent,  
1462 independent contractor or subsidiary; and (x) selling tangible personal  
1463 property or services through an agreement with a person located in  
1464 this state, under which such person located in this state, for a  
1465 commission or other consideration that is based upon the sale of  
1466 tangible personal property or services by the retailer, directly or  
1467 indirectly refers potential customers, whether by a link on an Internet  
1468 web site or otherwise, to the retailer, provided the cumulative gross  
1469 receipts from sales by the retailer to customers in the state who are  
1470 referred to the retailer by all such persons with this type of agreement  
1471 with the retailer is in excess of two thousand dollars during the four

1472 preceding four quarterly periods ending on the last day of March,  
1473 June, September and December.

1474 (B) A retailer who has contracted with a commercial printer for  
1475 printing and distribution of printed material shall not be deemed to be  
1476 engaged in business in this state because of the ownership or leasing  
1477 by the retailer of tangible or intangible personal property located at the  
1478 premises of the commercial printer in this state, the sale by the retailer  
1479 of property of any kind produced or processed at and shipped or  
1480 distributed from the premises of the commercial printer in this state,  
1481 the activities of the retailer's employees or agents at the premises of the  
1482 commercial printer in this state, which activities relate to quality  
1483 control, distribution or printing services performed by the printer, or  
1484 the activities of any kind performed by the commercial printer in this  
1485 state for or on behalf of the retailer.

1486 (C) A retailer not otherwise a retailer engaged in business in the  
1487 state who purchases fulfillment services carried on in this state by a  
1488 person other than an affiliated person, or who owns tangible personal  
1489 property located on the premises of an unaffiliated person performing  
1490 fulfillment services for such retailer shall not be deemed to be engaged  
1491 in business in the state. For purposes of this subparagraph, persons are  
1492 affiliated persons with respect to each other where one of such persons  
1493 has an ownership interest of more than five per cent, whether direct or  
1494 indirect, in the other, or where an ownership interest of more than five  
1495 per cent, whether direct or indirect, is held in each of such persons by  
1496 another person or by a group of other persons who are affiliated  
1497 persons with respect to each other. For purposes of this subparagraph,  
1498 "fulfillment services" means services that are performed by a person on  
1499 its premises on behalf of a purchaser of such services and that involve  
1500 the receipt of orders from the purchaser of such services or an agent  
1501 thereof, which orders are to be filled by the person from an inventory  
1502 of products that are offered for sale by the purchaser of such services,  
1503 and the shipment of such orders to customers of the purchaser of such  
1504 services.

1505 (D) A retailer not otherwise a retailer engaged in business in this  
1506 state that participates in a trade show or shows at the convention  
1507 center, as defined in subdivision (3) of section 32-600, shall not be  
1508 deemed to be engaged in business in this state, regardless of whether  
1509 the retailer has employees or other staff present at such trade shows,  
1510 provided the retailer's activity at such trade shows is limited to  
1511 displaying goods or promoting services, no sales are made, any orders  
1512 received are sent outside this state for acceptance or rejection and are  
1513 filled from outside this state, and provided further that such  
1514 participation is not more than fourteen days, or part thereof, in the  
1515 aggregate during the retailer's income year for federal income tax  
1516 purposes.

1517 (16) "Hotel" means any building regularly used and kept open as  
1518 such for the feeding and lodging of guests where any person who  
1519 conducts himself properly and who is able and ready to pay for such  
1520 services is received if there are accommodations for such person and  
1521 which derives the major portion of its operating receipts from the  
1522 renting of rooms and the sale of food. "Hotel" [shall include] includes  
1523 any apartment hotel wherein apartments are rented for fixed periods  
1524 of time, furnished or unfurnished, while the keeper of such hotel  
1525 supplies food to the occupants thereof, if required, but does not  
1526 include a bed and breakfast establishment.

1527 (17) "Lodging house" means any building or portion of a building,  
1528 other than a hotel, [or] an apartment hotel or a bed and breakfast  
1529 establishment, in which persons are lodged for hire with or without  
1530 meals, including, but not limited to, any motel, motor court, motor inn,  
1531 tourist court, furnished residence or similar accommodation; provided  
1532 the terms "hotel", "apartment hotel", [and] "lodging house" and "bed  
1533 and breakfast" shall not be construed to include: (A) Privately owned  
1534 and operated convalescent homes, residential care homes, homes for  
1535 the infirm, indigent or chronically ill; (B) religious or charitable homes  
1536 for the aged, infirm, indigent or chronically ill; (C) privately owned  
1537 and operated summer camps for children; (D) summer camps for  
1538 children operated by religious or charitable organizations; (E) lodging

1539 accommodations at educational institutions; or (F) lodging  
1540 accommodations at any facility operated by and in the name of any  
1541 nonprofit charitable organization, provided the income from such  
1542 lodging accommodations at such facility is not subject to federal  
1543 income tax.

1544 (18) "Operator" means any person operating a hotel, [or] lodging  
1545 house or bed and breakfast establishment in the state, including, but  
1546 not limited to, the owner or proprietor of such premises, lessee,  
1547 sublessee, mortgagee in possession, licensee or any other person  
1548 otherwise operating such hotel, [or] lodging house or bed and  
1549 breakfast establishment.

1550 (19) "Occupancy" means the use or possession, or the right to the  
1551 use or possession, of any room or rooms in a hotel, [or] lodging house  
1552 or bed and breakfast establishment, or the right to the use or  
1553 possession of the furnishings or the services and accommodations  
1554 accompanying the use and possession of such room or rooms, for the  
1555 first period of not more than thirty consecutive calendar days.

1556 (20) "Room" means any room or rooms of any kind in any part or  
1557 portion of a hotel, [or] lodging house or bed and breakfast  
1558 establishment let out for use or possession for lodging purposes.

1559 (21) "Rent" means the consideration received for occupancy and any  
1560 meals included with such occupancy, valued in money, whether  
1561 received in money or otherwise, including all receipts, cash, credits  
1562 and property or services of any kind or nature, and also any amount  
1563 for which credit is allowed by the operator to the occupant, without  
1564 any deduction therefrom whatsoever.

1565 (22) "Certificated air carrier" means a person issued a certificate or  
1566 certificates by the Federal Aviation Administration pursuant to Title  
1567 14, Chapter I, Subchapter G, Part 121, 135, 139 or 141 of the Code of  
1568 Federal Regulations or the Civil Aeronautics Board pursuant to Title  
1569 14, Chapter II, Subchapter A, Parts 201 to 208, inclusive, and 298 of the  
1570 Code of Federal Regulations, as such regulations may hereafter be



1571 amended or reclassified.

1572 (23) "Aircraft" means aircraft, as the term is defined in section 15-34.

1573 (24) "Vessel" means vessel, as the term is defined in section 15-127.

1574 (25) "Licensed marine dealer" means a marine dealer, as the term is  
1575 defined in section 15-141, who has been issued a marine dealer's  
1576 certificate by the Commissioner of Energy and Environmental  
1577 Protection.

1578 (26) (A) "Telecommunications service" means the electronic  
1579 transmission, conveyance or routing of voice, image, data, audio, video  
1580 or any other information or signals to a point or between or among  
1581 points. "Telecommunications service" includes such transmission,  
1582 conveyance or routing in which computer processing applications are  
1583 used to act on the form, code or protocol of the content for purposes of  
1584 transmission, conveyance or routing without regard to whether such  
1585 service is referred to as a voice over Internet protocol service or is  
1586 classified by the Federal Communications Commission as enhanced or  
1587 value added. "Telecommunications service" does not include (i) value-  
1588 added nonvoice data services, (ii) radio and television audio and video  
1589 programming services, regardless of the medium, including the  
1590 furnishing of transmission, conveyance or routing of such services by  
1591 the programming service provider. Radio and television audio and  
1592 video programming services shall include, but not be limited to, cable  
1593 service as defined in 47 USC 522(6), audio and video programming  
1594 services delivered by commercial mobile radio service providers, as  
1595 defined in 47 CFR 20, and video programming service by certified  
1596 competitive video service providers, (iii) any telecommunications  
1597 service (I) rendered by a company in control of such service when  
1598 rendered for private use within its organization, or (II) used, allocated  
1599 or distributed by a company within its organization, including in such  
1600 organization affiliates, as defined in section 33-840, for the purpose of  
1601 conducting business transactions of the organization if such service is  
1602 purchased or leased from a company rendering telecommunications  
1603 service and such purchase or lease is subject to tax under this chapter,

1604 (iv) access or interconnection service purchased by a provider of  
1605 telecommunications service from another provider of such service for  
1606 purposes of rendering such service, provided the purchaser submits to  
1607 the seller a certificate attesting to the applicability of this exclusion,  
1608 upon receipt of which the seller is relieved of any tax liability for such  
1609 sale so long as the certificate is taken in good faith by the seller, (v)  
1610 data processing and information services that allow data to be  
1611 generated, acquired, stored, processed or retrieved and delivered by  
1612 an electronic transmission to a purchaser where such purchaser's  
1613 primary purpose for the underlying transaction is the processed data  
1614 or information, (vi) installation or maintenance of wiring equipment  
1615 on a customer's premises, (vii) tangible personal property, (viii)  
1616 advertising, including, but not limited to, directory advertising, (ix)  
1617 billing and collection services provided to third parties, (x) Internet  
1618 access service, (xi) ancillary services, and (xii) digital products  
1619 delivered electronically, including, but not limited to, software, music,  
1620 video, reading materials or ring tones.

1621 (B) For purposes of the tax imposed under this chapter (i) gross  
1622 receipts from the rendering of telecommunications service shall  
1623 include any subscriber line charge or charges as required by the  
1624 Federal Communications Commission and any charges for access  
1625 service collected by any person rendering such service unless  
1626 otherwise excluded from such gross receipts under this chapter, and  
1627 such gross receipts from the rendering of telecommunications service  
1628 shall also include any charges for vertical service, for the installation or  
1629 maintenance of wiring equipment on a customer's premises, and for  
1630 directory assistance service; (ii) gross receipts from the rendering of  
1631 telecommunications service shall not include any local charge for calls  
1632 from public or semipublic telephones; and (iii) gross receipts from the  
1633 rendering of telecommunications service shall not include any charge  
1634 for calls purchased using a prepaid telephone calling service, as  
1635 defined in subdivision (34) of this subsection.

1636 (27) "Community antenna television service" means (A) the one-way  
1637 transmission to subscribers of video programming or information by

1638 cable, fiber optics, satellite, microwave or any other means, and  
1639 subscriber interaction, if any, which is required for the selection of  
1640 such video programming or information, and (B) noncable  
1641 communications service, as defined in section 16-1, unless such  
1642 noncable communications service is purchased by a cable network as  
1643 that term is used in subsection (k) of section 12-218.

1644 (28) "Hospital" means a hospital included within the definition of  
1645 health care facilities or institutions under section 19a-630 and licensed  
1646 as a short-term general hospital by the Department of Public Health,  
1647 but does not include (A) any hospital which, on January 30, 1997, is  
1648 within the class of hospitals licensed by the department as children's  
1649 general hospitals, or (B) a short-term acute hospital operated  
1650 exclusively by the state other than a short-term acute hospital operated  
1651 by the state as a receiver pursuant to chapter 920.

1652 (29) "Patient care services" means therapeutic and diagnostic  
1653 medical services provided by the hospital to inpatients and outpatients  
1654 including tangible personal property transferred in connection with  
1655 such services.

1656 (30) "Another state" or "other state" means any state of the United  
1657 States or the District of Columbia excluding the state of Connecticut.

1658 (31) "Professional employer agreement" means a written contract  
1659 between a professional employer organization and a service recipient  
1660 whereby the professional employer organization agrees to provide at  
1661 least seventy-five per cent of the employees at the service recipient's  
1662 worksite, which contract provides that such worksite employees are  
1663 intended to be permanent employees rather than temporary  
1664 employees, and employer responsibilities for such worksite  
1665 employees, including hiring, firing and disciplining, are allocated  
1666 between the professional employer organization and the service  
1667 recipient.

1668 (32) "Professional employer organization" means any person that  
1669 enters into a professional employer agreement with a service recipient

1670 whereby the professional employer organization agrees to provide at  
1671 least seventy-five per cent of the employees at the service recipient's  
1672 worksite.

1673 (33) "Worksite employee" means an employee, the employer  
1674 responsibilities for which, including hiring, firing and disciplining, are  
1675 allocated, under a professional employer agreement, between a  
1676 professional employer organization and a service recipient.

1677 (34) "Prepaid telephone calling service" means the right to  
1678 exclusively purchase telecommunications service, that must be paid for  
1679 in advance and that enables the origination of calls using an access  
1680 number or authorization code, or both, whether manually or  
1681 electronically dialed, provided the remaining amount of units of  
1682 service that have been prepaid shall be known on a continuous basis.

1683 (35) "Canned or prewritten software" means all software, other than  
1684 custom software, that is held or existing for general or repeated sale,  
1685 license or lease. Software initially developed as custom software for in-  
1686 house use and subsequently sold, licensed or leased to unrelated third  
1687 parties shall be considered canned or prewritten software.

1688 (36) "Custom software" means a computer program prepared to the  
1689 special order of a single customer.

1690 (37) "Services" for purposes of subdivision (2) of this subsection,  
1691 means:

1692 (A) Computer and data processing services, including, but not  
1693 limited to, time, programming, code writing, modification of existing  
1694 programs, feasibility studies and installation and implementation of  
1695 software programs and systems even where such services are rendered  
1696 in connection with the development, creation or production of canned  
1697 or custom software or the license of custom software;

1698 (B) Credit information and reporting services;

1699 (C) Services by employment agencies and agencies providing

1700 personnel services;

1701 (D) Private investigation, protection, patrol work, watchman and  
1702 armored car services, exclusive of (i) services of off-duty police officers  
1703 and off-duty firefighters, and (ii) coin and currency services provided  
1704 to a financial services company by or through another financial  
1705 services company. For purposes of this subparagraph, "financial  
1706 services company" has the same meaning as provided under  
1707 subparagraphs (A) to (H), inclusive, of subdivision (6) of subsection (a)  
1708 of section 12-218b;

1709 (E) Painting and lettering services;

1710 (F) Photographic studio services;

1711 (G) Telephone answering services;

1712 (H) Stenographic services;

1713 (I) Services to industrial, commercial or income-producing real  
1714 property, including, but not limited to, such services as management,  
1715 electrical, plumbing, painting and carpentry, provided  
1716 income-producing property shall not include property used  
1717 exclusively for residential purposes in which the owner resides and  
1718 which contains no more than three dwelling units, or a housing facility  
1719 for low and moderate income families and persons owned or operated  
1720 by a nonprofit housing organization, as defined in subdivision (29) of  
1721 section 12-412;

1722 (J) Business analysis, management, management consulting and  
1723 public relations services, excluding (i) any environmental consulting  
1724 services, (ii) any training services provided by an institution of higher  
1725 education licensed or accredited by the Board of Regents for Higher  
1726 Education or Office of Higher Education pursuant to sections 10a-35a  
1727 and 10a-34, respectively, and (iii) on and after January 1, 1994, any  
1728 business analysis, management, management consulting and public  
1729 relations services when such services are rendered in connection with  
1730 an aircraft leased or owned by a certificated air carrier or in connection

1731 with an aircraft which has a maximum certificated take-off weight of  
1732 six thousand pounds or more;

1733 (K) Services providing "piped-in" music to business or professional  
1734 establishments;

1735 (L) Flight instruction and chartering services by a certificated air  
1736 carrier on an aircraft, the use of which for such purposes, but for the  
1737 provisions of subdivision (4) of section 12-410 and subdivision (12) of  
1738 section 12-411, would be deemed a retail sale and a taxable storage or  
1739 use, respectively, of such aircraft by such carrier;

1740 (M) Motor vehicle repair services, including any type of repair,  
1741 painting or replacement related to the body or any of the operating  
1742 parts of a motor vehicle;

1743 (N) Motor vehicle parking, including the provision of space, other  
1744 than metered space, in a lot having thirty or more spaces, excluding (i)  
1745 space in a parking lot owned or leased under the terms of a lease of not  
1746 less than ten years' duration and operated by an employer for the  
1747 exclusive use of its employees, (ii) space in municipally operated  
1748 railroad parking facilities in municipalities located within an area of  
1749 the state designated as a severe nonattainment area for ozone under  
1750 the federal Clean Air Act or space in a railroad parking facility in a  
1751 municipality located within an area of the state designated as a severe  
1752 nonattainment area for ozone under the federal Clean Air Act owned  
1753 or operated by the state on or after April 1, 2000, (iii) space in a  
1754 seasonal parking lot provided by an entity subject to the exemption set  
1755 forth in subdivision (1) of section 12-412, and (iv) space in a  
1756 municipally owned parking lot;

1757 (O) Radio or television repair services;

1758 (P) Furniture reupholstering and repair services;

1759 (Q) Repair services to any electrical or electronic device, including,  
1760 but not limited to, equipment used for purposes of refrigeration or  
1761 air-conditioning;

1762 (R) Lobbying or consulting services for purposes of representing the  
1763 interests of a client in relation to the functions of any governmental  
1764 entity or instrumentality;

1765 (S) Services of the agent of any person in relation to the sale of any  
1766 item of tangible personal property for such person, exclusive of the  
1767 services of a consignee selling works of art, as defined in subsection (b)  
1768 of section 12-376c, or articles of clothing or footwear intended to be  
1769 worn on or about the human body other than (i) any special clothing  
1770 or footwear primarily designed for athletic activity or protective use  
1771 and which is not normally worn except when used for the athletic  
1772 activity or protective use for which it was designed, and (ii) jewelry,  
1773 handbags, luggage, umbrellas, wallets, watches and similar items  
1774 carried on or about the human body but not worn on the body, under  
1775 consignment, exclusive of services provided by an auctioneer;

1776 (T) Locksmith services;

1777 (U) Advertising or public relations services, including layout, art  
1778 direction, graphic design, mechanical preparation or production  
1779 supervision, not related to the development of media advertising or  
1780 cooperative direct mail advertising;

1781 (V) Landscaping and horticulture services;

1782 (W) Window cleaning services;

1783 (X) Maintenance services;

1784 (Y) Janitorial services;

1785 (Z) Exterminating services;

1786 (AA) Swimming pool cleaning and maintenance services;

1787 (BB) Miscellaneous personal services included in industry group 729  
1788 in the Standard Industrial Classification Manual, United States Office  
1789 of Management and Budget, 1987 edition, or U.S. industry 532220,  
1790 812191, 812199 or 812990 in the North American Industrial

1791 Classification System United States Manual, United States Office of  
1792 Management and Budget, 1997 edition, exclusive of (i) services  
1793 rendered by massage therapists licensed pursuant to chapter 384a, and  
1794 (ii) services rendered by an electrologist licensed pursuant to chapter  
1795 388;

1796 (CC) Any repair or maintenance service to any item of tangible  
1797 personal property including any contract of warranty or service related  
1798 to any such item;

1799 (DD) Business analysis, management or managing consulting  
1800 services rendered by a general partner, or an affiliate thereof, to a  
1801 limited partnership, provided (i) the general partner, or an affiliate  
1802 thereof, is compensated for the rendition of such services other than  
1803 through a distributive share of partnership profits or an annual  
1804 percentage of partnership capital or assets established in the limited  
1805 partnership's offering statement, and (ii) the general partner, or an  
1806 affiliate thereof, offers such services to others, including any other  
1807 partnership. As used in this subparagraph "an affiliate of a general  
1808 partner" means an entity which is directly or indirectly owned fifty per  
1809 cent or more in common with a general partner;

1810 (EE) Notwithstanding the provisions of section 12-412, except  
1811 subdivision (87) of said section 12-412, patient care services, as defined  
1812 in subdivision (29) of this subsection by a hospital, except that "sale"  
1813 and "selling" does not include such patient care services for which  
1814 payment is received by the hospital during the period commencing  
1815 July 1, 2001, and ending June 30, 2003;

1816 (FF) Health and athletic club services, exclusive of (i) any such  
1817 services provided without any additional charge which are included in  
1818 any dues or initiation fees paid to any such club, which dues or fees  
1819 are subject to tax under section 12-543, and (ii) any such services  
1820 provided by a municipality or an organization that is described in  
1821 Section 501(c) of the Internal Revenue Code of 1986, or any subsequent  
1822 corresponding internal revenue code of the United States, as from time  
1823 to time amended;



1824 (GG) Motor vehicle storage services, including storage of motor  
1825 homes, campers and camp trailers, other than the furnishing of space  
1826 as described in subparagraph (P) of subdivision (2) of this subsection;

1827 (HH) Packing and crating services, other than those provided in  
1828 connection with the sale of tangible personal property by the retailer of  
1829 such property;

1830 (II) Motor vehicle towing and road services, other than motor  
1831 vehicle repair services;

1832 (JJ) Intrastate transportation services provided by livery services,  
1833 including limousines, community cars or vans, with a driver. Intrastate  
1834 transportation services shall not include transportation by taxicab,  
1835 motor bus, ambulance or ambulette, scheduled public transportation,  
1836 nonemergency medical transportation provided under the Medicaid  
1837 program, paratransit services provided by agreement or arrangement  
1838 with the state or any political subdivision of the state, dial-a-ride  
1839 services or services provided in connection with funerals;

1840 (KK) Pet grooming and pet boarding services, except if such services  
1841 are provided as an integral part of professional veterinary services,  
1842 and pet obedience services;

1843 (LL) Services in connection with a cosmetic medical procedure. For  
1844 purposes of this subparagraph, "cosmetic medical procedure" means  
1845 any medical procedure performed on an individual that is directed at  
1846 improving the individual's appearance and that does not meaningfully  
1847 promote the proper function of the body or prevent or treat illness or  
1848 disease. "Cosmetic medical procedure" includes, but is not limited to,  
1849 cosmetic surgery, hair transplants, cosmetic injections, cosmetic soft  
1850 tissue fillers, dermabrasion and chemical peel, laser hair removal, laser  
1851 skin resurfacing, laser treatment of leg veins and sclerotherapy.  
1852 "Cosmetic medical procedure" does not include reconstructive surgery.  
1853 "Reconstructive surgery" includes any surgery performed on abnormal  
1854 structures caused by or related to congenital defects, developmental  
1855 abnormalities, trauma, infection, tumors or disease, including

- 1856 procedures to improve function or give a more normal appearance;
- 1857 (MM) Manicure services, pedicure services and all other nail  
1858 services, regardless of where performed, including airbrushing, fills,  
1859 full sets, nail sculpting, paraffin treatments and polishes;
- 1860 (NN) Spa services, regardless of where performed, including body  
1861 waxing and wraps, peels, scrubs and facials; and
- 1862 (OO) Car wash services, including coin-operated car washes.
- 1863 (38) "Media payroll services company" means a retailer whose  
1864 principal business activity is the management and payment of  
1865 compensation, fringe benefits, workers' compensation, payroll taxes or  
1866 assessments to individuals providing services to an eligible production  
1867 company pursuant to section 12-217jj.
- 1868 (39) "Certified competitive video service" means video  
1869 programming service provided through wireline facilities, a portion of  
1870 which are located in the public right-of-way, without regard to  
1871 delivery technology, including Internet protocol technology. "Certified  
1872 competitive video service" does not include any video programming  
1873 provided by a commercial mobile service provider, as defined in 47  
1874 USC 332(d); any video programming provided as part of community  
1875 antenna television service; any video programming provided as part  
1876 of, and via, a service that enables users to access content, information,  
1877 electronic mail or other services over the Internet.
- 1878 (40) "Directory assistance" means an ancillary service of providing  
1879 telephone number information or address information.
- 1880 (41) "Vertical service" means an ancillary service that is offered in  
1881 connection with one or more telecommunications services, offering  
1882 advanced calling features that allow customers to identify callers and  
1883 to manage multiple calls and call connections, including conference  
1884 bridging services.
- 1885 (42) "Bed and breakfast establishment" means any private operator-

1886 occupied house, other than a hotel or lodging house, with twelve or  
 1887 fewer rooms in which persons are lodged for hire and a full morning  
 1888 meal is included in the rent.

1889 (b) Wherever in this chapter reference is made to the sale of tangible  
 1890 personal property or services, it shall be construed to include sales  
 1891 described in subdivision (2) of subsection (a) of this section, except as  
 1892 may be specifically provided to the contrary.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2018</i>	12-39h
Sec. 2	<i>July 1, 2017, and applicable to taxable years commencing on or after January 1, 2017</i>	12-701(a)(20)(A)
Sec. 3	<i>October 1, 2017</i>	12-409(c)
Sec. 4	<i>January 1, 2018</i>	12-414
Sec. 5	<i>October 1, 2017</i>	12-707
Sec. 6	<i>January 1, 2018</i>	12-705
Sec. 7	<i>January 1, 2018</i>	12-706
Sec. 8	<i>January 1, 2018</i>	12-707(g)
Sec. 9	<i>July 1, 2017, and applicable to information returns due for calendar years commencing on or after January 1, 2017</i>	New section
Sec. 10	<i>July 1, 2017</i>	12-35(b)
Sec. 11	<i>October 1, 2017</i>	New section
Sec. 12	<i>from passage</i>	12-3c
Sec. 13	<i>October 1, 2017, and applicable to sales occurring on or after October 1, 2017</i>	12-408(1)(B)
Sec. 14	<i>October 1, 2017, and applicable to sales occurring on or after October 1, 2017</i>	12-411(1)(B)

Sec. 15	<i>October 1, 2017, and applicable to sales occurring on or after October 1, 2017</i>	12-407
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**FIN**      *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

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### ***OFA Fiscal Note***

***State Impact:*** See Below

***Municipal Impact:*** None

### ***Explanation***

The bill makes a number of tax law changes related to the Department of Revenue Services' (DRS), including to enforcement. Provisions of the bill resulting in a fiscal impact are outlined below:

**Section 1** changes the order in which the DRS commissioner must apply partial tax payments. To the extent this results in less interest being due, this results in a minimal revenue loss.

**Section 2** requires taxpayers who receive compensation from a nonqualified deferred compensation plan attributed to services performed in the state to include such income for Connecticut income tax purposes, which results in a potential revenue gain.

**Section 4** provides flexibility to DRS in deciding when to end the requirement that certain taxpayers remit the sales tax. To the extent this increases sales tax compliance, this results in a revenue gain.

**Section 5** authorizes the DRS commissioner to require employers and payers to post a bond to secure withholding tax payments. To the extent this increases tax compliance, this results in a revenue gain.

**Section 10** authorizes DRS to include in its tax warrants a continuous order to withhold intangible personal property for up to 180 days following the date the warrant was issued. To the extent this increases tax compliance, this results in a revenue gain.

**Section 11** results in a potential revenue gain by requiring hosting platforms (e.g., Airbnb and VRBO) to collect and remit use tax on room occupancy in the same manner as a hotel or lodging house operator. The actual revenue gain would depend upon the number of rentals provided through such platforms, with the exception of Airbnb which currently is collecting the room occupancy tax on rentals.<sup>1</sup>

**Sections 13 through 15** apply a uniform 11% room occupancy tax on rent received by bed and breakfast establishments which is not anticipated to have a net impact to the state.

***The Out Years***

***State Impact:*** See Above

***Municipal Impact:*** None

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<sup>1</sup> Testimony provided by the Department of Revenue Services on HB 7312 indicates that Airbnb has collected and remitted \$11 million in rents under the first year of its agreement with the state, which began as of July 1, 2016.

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**OLR Bill Analysis****sHB 7312****AN ACT CONCERNING THE DEPARTMENT OF REVENUE SERVICES' RECOMMENDATIONS FOR STATE TAXATION AND COLLECTION AND IMPROVING TAX GAP COMPLIANCE.**

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**§ 10 — DRS TAX WARRANTS**

*Allows certain DRS tax warrants to provide for a continuous order to withhold intangible personal property for up to 180 days*

**§§ 11 & 14 — ROOM OCCUPANCY TAX COLLECTION BY HOSTING PLATFORMS**

*Requires “hosting platforms” to collect and remit occupancy taxes*

**§ 12 — PERIODIC CRIMINAL BACKGROUND CHECKS FOR CURRENT DRS EMPLOYEES**

*Requires current DRS employees to undergo periodic criminal background checks*

**§§ 13-15 — BED AND BREAKFAST OCCUPANCY TAX RATE**

*Imposes a uniform occupancy tax rate on rent charged at bed and breakfast establishments*

**SUMMARY**

This bill makes various tax law changes, many of which concern the Department of Revenue Services’ (DRS) tax enforcement mechanisms and powers.

Among other things, the bill (1) shortens the validity period of sales tax permits; (2) establishes methods for weekly sales tax remittance; (3) requires, rather than allows, income tax withholding for certain pension and annuity payments; (4) requires certain entities to file copies with DRS of the annual federal information returns that report the payment transactions they process for Connecticut retailers; (5) authorizes the commissioner to require taxpayers to post a bond or security with the commissioner to secure withholding tax payments; and (6) requires certain room- and house-sharing websites to collect and remit use tax on room occupancy in the same manner as a hotel or lodging house operator and obtain a permit to do so.

EFFECTIVE DATE: Various; see below.

**§ 1 — ORDER OF APPLYING PARTIAL PAYMENTS**

*Changes the order in which the DRS commissioner must apply partial tax payments*

The bill changes the order in which the DRS commissioner must apply partial tax payments. Under current law, the commissioner must apply partial payments first to any penalties, then to interest, and the remaining balance to the tax. Under the bill, the commissioner must still apply the payment to the penalties first, but any remaining



balance must be applied first to the tax and then to the interest.

EFFECTIVE DATE: July 1, 2018

## **§ 2 — INCOME TAX ON NONQUALIFIED COMPENSATION**

*Subjects certain deferred compensation attributed to services performed in the state to personal income tax*

The bill requires taxpayers to include in Connecticut adjusted gross income, to the extent it is not properly includable in gross income for federal income tax purposes, compensation that is deferred under a nonqualified deferred compensation plan of a nonqualified entity. A nonqualified deferred compensation plan is an arrangement between an employer and an employee or service provider to pay compensation in the future, thus deferring the tax liability on the compensation. Such plans exclude qualified employer plans (e.g., 457(b) plans) and bona fide vacation leave, sick leave, compensatory time, disability pay, and death benefit plans (26 U.S.C.A. §§ 457A & 409A). A nonqualified entity is generally a foreign corporation.

Federal law generally provides that any compensation that is deferred under a nonqualified deferred compensation plan of a nonqualified entity is includable in gross income when the compensation is no longer subject to a substantial risk of forfeiture (26 U.S.C. § 457A). Under federal law, such deferred compensation earned and deferred before January 1, 2009 must be recognized for federal tax purposes by 2017.

EFFECTIVE DATE: July 1, 2017, and applicable to tax years commencing on or after January 1, 2017.

## **§ 3 — SALES TAX PERMIT RENEWALS**

*Requires sales tax permits to be renewed every two years instead of every five*

For sales tax permits issued on or after October 1, 2017, the bill shortens the period, from five to two years, during which they are valid.

EFFECTIVE DATE: October 1, 2017

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**§ 4 — WEEKLY SALES TAX REMITTANCE**

*Specifies methods for weekly sales tax remittance*

***Period for Weekly Remittance***

By law, a person or entity (i.e., taxpayer) required to collect the sales tax must remit it on a monthly, quarterly, or annual basis, depending on the amount of sales tax they collect. But the DRS commissioner can require taxpayers to remit the tax every week if they fail to remit it on time (i.e., weekly remittance).

Current law requires these taxpayers to do so for one year. The bill instead allows the commissioner to decide when to end weekly remittance and notify them to that effect. He must base this decision on evidence that a taxpayer continuously remitted the tax every week on time.

Taxpayers that remit the tax every week can still file claims for refunds and exercise the other rights the law affords them.

***Methods for Weekly Remittance***

The bill specifies the methods taxpayers must use to remit sales taxes when the commissioner requires them to do so weekly. They must remit the tax through a certified service provider or establish a separate bank account for depositing the tax payments. The commissioner must inform taxpayers of these options when he sends the notice requiring them to remit the tax every week.

The bill requires the notice to include a:

1. statement informing the taxpayer about the remittance options;
2. list of service providers certified by the Streamline Sales Tax Governing Board, Inc. and how they can be contacted; and
3. form for choosing such a provider.

The commissioner cannot use the bill's methods for weekly sales tax remittance to enforce the collection of other taxes.

**Certified Service Provider**

If the taxpayer chooses a certified service provider, the taxpayer must return the form to the commissioner within two business days after receiving the notice. Taxpayers that miss this deadline must establish a bank account as described below. Otherwise, a taxpayer has 30 days from the commissioner's notice to contact a certified service provider and begin weekly remittance. Upon request, the taxpayer must provide the commissioner (1) a copy of the contract with the provider, (2) a statement authorizing the commissioner to contact the provider for information about the taxpayer, and (3) any other information the commissioner needs about the taxpayer's arrangement with the provider.

The provider must electronically remit the taxes. The commissioner may allow the provider to keep a portion of the sales tax it remits on the taxpayer's behalf, up to the amount the provider charged the taxpayer for its services.

**Bank Account**

**Establishment.** A taxpayer that chooses not to remit the taxes through a provider must do so by establishing a bank account exclusively for that purpose within 30 days after the commissioner's notice. The account must be separate from the taxpayer's other accounts, bear the taxpayer's name, and be designated as "Trustee, Special Fund in Trust of the State of Connecticut, Department of Revenue Services, Under Section 12-408 of the Connecticut General Statutes."

If the commissioner requests it, the taxpayer must provide the name of the financial institution where the taxpayer established the account, the account number, and any other account information the commissioner requires.

**Deposits.** After establishing the account, the taxpayer has up to two days to deposit in the account the taxes it collected or received on a given day. The taxpayer may deposit no other funds in the account

except for its maintenance. Money in the account constitutes a fund in trust for the state, is deemed property of the state, and is payable only to DRS. No liens can be placed on the account.

***Withdrawals.*** The taxpayer must obtain the commissioner's approval before withdrawing funds from the account for purposes other than remitting sales taxes. A taxpayer withdrawing funds without the commissioner's prior approval is guilty of larceny with each unauthorized withdrawal constituting a separate offense.

***Account Status.*** A financial institution must provide an account's status to the commissioner within five business days of his request.

***Failure to Remit Taxes.*** The bill authorizes the commissioner to withdraw funds from the account if the taxpayer fails to remit the tax and the commissioner determines that it might not be collected. In these cases, the commissioner may serve notice on the institution where the account was established and withdraw enough funds from the account to pay the outstanding tax, excluding associated penalties and interest charges, which the commissioner may collect by other means the law provides. The institution must immediately pay the commissioner requested amount, and he must apply it to the outstanding tax.

If the institution refuses to pay the requested amount, the commissioner may ask the attorney general to take an action in the Superior Court for the Hartford Judicial District to compel the institution to pay the amount. The state may seek, and the court may impose, penalties against the institution for failing to meet its obligations under the bill.

***Taxpayer Rights.*** The bill allows taxpayers to file a claim against the commissioner if he withdraws funds from an account that contains funds deposited for purposes other than remitting taxes.

The commissioner must notify taxpayers about this right at the same time he notifies the institution about the withdrawal. He must do

so by providing a notice, which he may deliver in person, leave at taxpayer's dwelling or usual business place, send by first class mail to the taxpayer's last-known address, or send by email or fax.

**Claim Process.** The taxpayer has up to 10 business days from the receipt of notice to file a claim on a form the commissioner prescribes. If the taxpayer misses the 10-day deadline, he or she waives any demand against the state.

Within 10 business days of receiving a claim, the commissioner must determine if it is valid. If he determines that it is, he must return only those funds that are not remitted taxes. These funds are not the state's property and cannot be used to offset the taxpayer's other tax liabilities.

If the commissioner determines the claim is not valid, he must send a notice to the taxpayer to that effect. The taxpayer may protest the denial by notifying the commissioner in writing within five days and specifying the grounds for the protest. The commissioner has up to 10 days from the taxpayer's protest notice to reconsider the denial. He must notify the taxpayer in writing about his decision. If the commissioner denies the claim or returns part of the money, he must specify his findings of fact and the basis for his decision.

The taxpayer may appeal the decision to the Superior Court for the New Britain judicial district, as the law specifies. The appeal is subject to the requirements of the Uniform Administrative Appeals Act.

### ***Penalty Waivers***

The bill prohibits the commissioner from waiving any penalties imposed on taxpayers that must remit the sales tax on a weekly basis.

### ***Electronic Filing***

Taxpayers that must remit sales taxes weekly must continue to file their tax returns on a monthly or quarterly basis. The bill requires them to do so electronically.

EFFECTIVE DATE: January 1, 2018

#### **§ 4 — FILING SALES TAX RETURNS ON ANNUAL, QUARTERLY, OR MONTHLY BASIS**

*Codifies the DRS rule for determining when the sales tax must be annually remitted*

The bill codifies the DRS's current requirements for remitting sales taxes on an annual basis. The requirement for annual remittance applies to taxpayers that collect and remit less than \$1,000 in sales taxes for the 12-month period beginning July 1 and ending June 30. These taxpayers must also file their tax returns annually by January 31 for sales reported during the previous calendar year.

EFFECTIVE DATE: January 1, 2018

#### **§ 5 — SECURITY REQUIREMENT FOR WITHHOLDING TAX**

*Authorizes the DRS commissioner to require employers and payers to post a bond or other security to secure withholding tax payments*

The bill authorizes the DRS commissioner to require employers and payers to deposit securities (e.g., bonds or cash deposits) with the commissioner to ensure their compliance with withholding tax requirements. The bill gives the commissioner discretion to (1) impose the security requirement when he finds it necessary and (2) determine the type and amount of security required, up to six times the employer's or payer's estimated liability for the prior or future 12-month period.

Under the bill, the commissioner may sell the security at public auction if necessary to recover any taxes, amounts required to be collected, interest, or penalty due. He may serve notice of the sale in person or by mail to the person depositing the security. Mailings must be made to the person's address listed in DRS records, in the same way DRS sends tax deficiency assessment notices. If the security is a state- or federally-issued bearer bond with a prevailing market price, the commissioner may not sell it at private sale for less than its prevailing market price. (The legal effect of this provision is unclear since neither the state nor federal government currently issues bearer bonds.) After the sale, the commissioner must return any surplus above the amounts

due to the person depositing the security.

EFFECTIVE DATE: October 1, 2017

## **§§ 6 & 8 — INCOME TAX WITHHOLDING FOR PENSION AND ANNUITY PAYMENTS**

*Requires, rather than allows, income tax withholding for pension and annuity payments*

Current law allows Connecticut residents receiving pensions or annuities to instruct the payer of the pension or annuity to withhold Connecticut income tax. The bill eliminates this option and instead requires income tax withholding by certain payers of pensions and annuities. These distributions include those from an employer pension, annuity, profit-sharing plan, stock bonus, deferred compensation plan, individual retirement arrangement, endowment, or life insurance contract.

The withholding requirement applies to payers of pension or annuity distributions that (1) maintain an office or transact business in Connecticut and (2) make taxable payments to resident individuals. Under the bill, such payers must deduct and withhold from the taxable portion of any such distribution, as far as practicable, an amount substantially equal to the tax reasonably estimated to be due from the payee during the calendar year. With the exception of “lump sum distributions,” the method of determining the amount to be withheld must be the same as the method employers use for payroll withholding. A lump sum distribution must be taxed at the highest marginal rate unless (1) any portion of the distribution was previously taxed or (2) it is a rollover effected as a direct trustee-to-trustee transfer. The bill defines lump sum distributions as payments from a payer to a resident payee of the payee’s entire retirement account balance, excluding any other tax withholding and administrative charges and fees.

EFFECTIVE DATE: January 1, 2018

## **§ 7 — INFORMATION RETURNS BY PAYERS OF NONPAYROLL AMOUNTS**

*Advances the date by which payers of nonpayroll amounts that are not subject to income tax withholding must submit information returns to DRS*

Under the bill and current DRS practice, payers making nonpayroll amounts to payees during the calendar year, other than those payers subject to income tax withholding, must provide to each payee, annually by the next January 31, a written statement showing the amount of nonpayroll amounts paid, the amount deducted and withheld from such payments, and any other information the DRS commissioner requires (e.g., federal Form 1099-MISC, Miscellaneous Income). Under current DRS practice, such payers must generally file copies of these forms with DRS by March 31. The bill instead requires them to do so by January 31.

By law, nonpayroll amounts include:

1. gambling winnings paid to Connecticut residents that are subject to federal income tax withholding (i.e., payments over \$5,000);
2. Connecticut lottery winnings that must be reported to the IRS, regardless of whether they are subject to federal withholding (i.e., payments of \$600 or more and at least 300 times the wager amount);
3. pension and annuity distributions paid to Connecticut residents requesting state income tax withholding (subject to mandatory withholding under the bill);
4. military retirement paid to Connecticut residents requesting state income tax withholding;
5. unemployment compensation paid to those requesting state income tax withholding; and
6. nonwage payments to athletes or entertainers from which the DRS commissioner requires withholding (generally, payments over \$1,000 unless DRS grants a waiver).

EFFECTIVE DATE: January 1, 2018



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**§ 9 — INFORMATION RETURNS ON CREDIT AND DEBIT CARD SALES (1099-K FORMS)**

*Requires certain entities to file with DRS copies of the annual federal information returns that report the payment transactions they process for Connecticut retailers*

Federal law requires certain “reporting entities” to file with the IRS annual information returns that report the payment transactions they process for retailers (i.e., federal Form 1099-K). The bill requires such entities processing payments for Connecticut retailers (i.e., participating payees) to file copies of these information returns with DRS within 30 days after filing them with the IRS, in the manner and form prescribed by the DRS commissioner. DRS currently receives copies of such forms from the IRS about six months after they are filed.

The bill’s reporting requirement applies to the same entities subject to the federal reporting requirement (i.e., payment settlement entities, third party settlement organizations, electronic payment facilitators, or other third parties acting on behalf of a payment settlement entity). These entities generally include domestic and foreign entities that process credit, debit, and payment card transactions on behalf of retailers.

Reporting entities that fail to file the returns within the prescribed time are subject to a civil penalty of (1) \$50 for each failure if the return is submitted within one month after it was due and (2) an additional \$50 for each month or part of a month that the failure continues, up to \$250,000 per year per reporting entity. The commissioner may waive all or part of the penalties imposed if the reporting entity’s failure to timely file the return was not due to willful neglect, but rather based on reasonable cause. If the commissioner chooses to do so, he must follow the statutory procedure for waiving penalties over \$1,000.

EFFECTIVE DATE: July 1, 2017, and applicable to information returns due for calendar years commencing on or after January 1, 2017.

**§ 10 — DRS TAX WARRANTS**

*Allows certain DRS tax warrants to provide for a continuous order to withhold intangible personal property for up to 180 days*

Existing law allows DRS to issue a tax warrant on the intangible personal property (e.g., bank accounts, receivables, and securities) of a taxpayer who fails to pay state taxes and serve the warrant on a third person (e.g., bank or payment settlement entity) who possesses the property or is obligated to it in some respect.

The bill allows such warrants to include an order to the third person to continually deliver the intangible property that is due and becomes due to the taxpayer during the 180 days immediately following the warrant's issuance date or until the tax is fully paid, whichever is earlier. The bill specifies that such warrants have the same force and effect as executions issued under the existing postjudgment procedures law, as is the case with other DRS tax warrants.

EFFECTIVE DATE: July 1, 2017

#### **§§ 11 & 14 — ROOM OCCUPANCY TAX COLLECTION BY HOSTING PLATFORMS**

*Requires "hosting platforms" to collect and remit occupancy taxes*

The bill requires "hosting platforms" (e.g., AirBnB and VRBO) to collect and remit use tax on room occupancy in the same manner as a hotel or lodging house operator and obtain a permit to do so. A person other than a hosting platform may obtain a certificate of authority from the DRS commissioner to collect such tax, as long as the person agrees to collect the tax, according to provisions on retailer collection of use tax, for occupancy of any room in a hotel or lodging house in the state.

Under the bill, if a guest has paid rent to the hosting platform (presumably, this means to the hotel or lodging house operator through the platform) and the platform has collected the tax, the hotel or lodging house operator is not required to collect room occupancy use tax.

Under the bill, a "hosting platform" is a person that offers a website through which (1) hotel or lodging house operators can display available hotel or lodging house rooms to prospective guests, (2) operators and prospective guests can communicate to reach agreement

for occupancy in such rooms, and (3) guests can pay rent to the operator. It does not include a person that advertises accommodations exclusively at a hotel or lodging house that holds a sales tax collection permit.

The bill also specifies that “lodging house” includes furnished residences in which people are lodged for hire. Among other things, this change explicitly subjects rent received for lodging in such residences to the room occupancy tax and requires hosting platforms to collect such tax.

EFFECTIVE DATE: October 1, 2017, and applicable to sales occurring on or after that date.

## **§ 12 — PERIODIC CRIMINAL BACKGROUND CHECKS FOR CURRENT DRS EMPLOYEES**

*Requires current DRS employees to undergo periodic criminal background checks*

The bill requires current DRS employees periodically to undergo the same criminal background checks the law currently requires for prospective DRS employees. At least once every 10 years, each current DRS employee must:

1. disclose in writing any criminal convictions and pending charges and, if charges are pending, the court in which they are pending;
2. allow themselves to be fingerprinted; and
3. submit to state and national criminal record checks under Connecticut’s uniform criminal records check procedure.

As with prospective employees, DRS must enforce these requirements consistent with the law prohibiting employers from requiring prospective employees to disclose information in certain erased criminal records (CGS § 31-51i).

EFFECTIVE DATE: Upon passage

## **§§ 13-15 — BED AND BREAKFAST OCCUPANCY TAX RATE**

*Imposes a uniform occupancy tax rate on rent charged at bed and breakfast establishments*

The bill applies a uniform 11% room occupancy tax to rent received by bed and breakfast establishments (B&Bs) and specifies that rent received by hotels, lodging houses, and B&Bs includes any meals that are included with the occupancy charge. Under the bill, rent received by hotels and lodging houses continues to be subject to the current 15% room occupancy tax.

Under current DRS practice, B&B room occupancy charges that include lodging and meals at a fixed price are allocated according to a specified schedule such that the percentage allocated to meals is taxed at the general 6.35% sales tax rate and the percentage allocated to the room is taxed at the 15% occupancy tax rate (DRS Policy Statement 2003 (1)).

The bill defines a B&B as a private operator-occupied house, other than a hotel or lodging house, with 12 or fewer rooms, in which people are lodged for hire and a full morning meal is included in the rent.

EFFECTIVE DATE: October 1, 2017, and applicable to sales occurring on or after that date.

### **COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 32 Nay 18 (04/27/2017)